

CITY OF WAYNESBORO, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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**CITY OF WAYNESBORO, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012**

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INTRODUCTORY SECTION

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CITY OF WAYNESBORO, VIRGINIA

**COUNCIL
(As of June 30, 2012)**

Frank S. Lucente, Mayor
Bruce Allen, Vice Mayor
Jeffrey S. Freeman
Michael E. Harris
Timothy D. Williams
Julia E. Bortle, Clerk

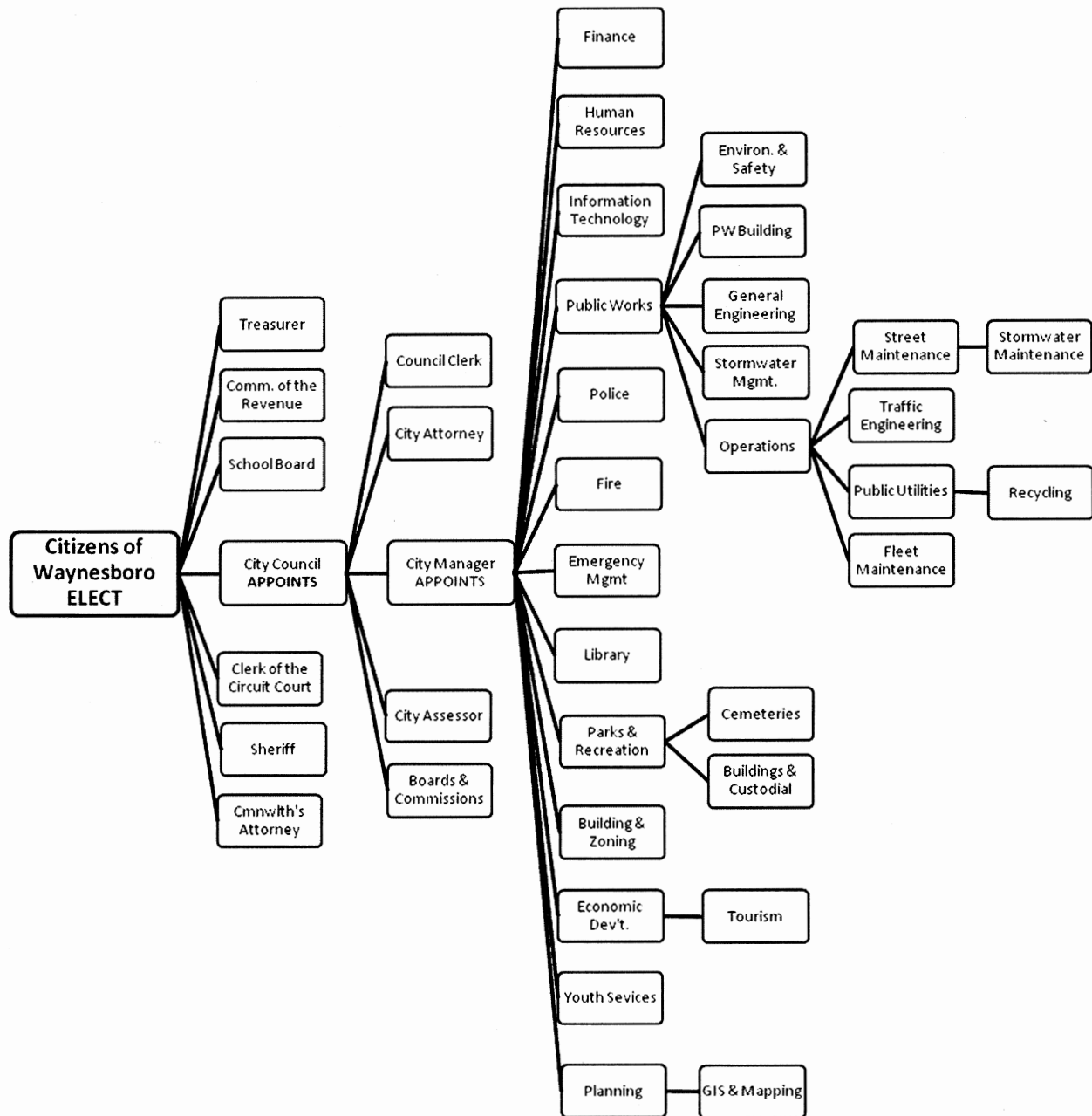
**OFFICIALS
(As of June 30, 2012)**

Michael G. Hamp, II	City Manager/City Auditor
Stephanie M. Beverage	City Treasurer
Donald R. Coffey	Commissioner of the Revenue
John M. Kiger	City Assessor
Charles P. Ajemian	Commonwealth's Attorney
Dr. Robin G. Crowder	Superintendent of Schools
Elizabeth Middleton	Director of Social Services
Joe Harris, Jr.	Sheriff
Nicole A. Briggs	Clerk of Circuit Court

**SCHOOL BOARD
(As of June 30, 2012)**

Jeremy Y. Taylor, Chair
Melinda Ferguson, Vice Chair
Brian A. Edwards
Kathryn E. Maneval
Douglas B. Norcross
William B. Staton, Jr., Clerk

City of Waynesboro, Virginia
Organizational Structure – June 30, 2012



BOARDS AND COMMISSIONS APPOINTED BY CITY COUNCIL

Senior Advocacy Commission ■ Historical Commission ■ Planning Commission ■ Parks & Recreation Commission ■ Flood and Stormwater Control Commission ■ Cultural Commission ■ Transportation Safety Commission ■ Airport Commission ■ Library Board ■ Economic Development Authority ■ Disability Services Board ■ Redevelopment & Housing Authority ■ Housing Rehabilitation Advisory Board (2 Year Board) ■ Building Code Appeals ■ Local Emergency Planning Commission

OTHER AGENCIES & BOARDS

Courts ■ Registrar of Voters ■ Board of Elections ■ Valley CSB ■ Central Shenandoah Regional Planning Commission ■ Middle River Regional Jail ■ Regional Landfill ■ Regional Animal Shelter ■ Central Shenandoah EMS Council ■ Regional Youth Commission ■ Board of Zoning Appeals ■ Board of Equalization ■ Social Services Advisory Board ■ Health Department ■ Board of Health ■ Airport Commission ■ CAP-SAW ■ SPCA ■ Bicycle Advisory Committee ■ Valley Program for Aging ■ BRCC Board ■ Blue Ridge Criminal Justice Board ■ Shenandoah Valley Partnership ■ Coordinated Area Transportation System (CATS) ■ Waynesboro City School Board ■ Artisan's Center of Virginia Board of Directors ■ Virginia Alcohol Safety Action Program (VASAP)

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Waynesboro, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Virginia (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Augusta Regional Landfill. The City's share of this undivided interest and joint venture component represents the entirety of the City's ACSA Joint Landfill Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Augusta Regional Landfill, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

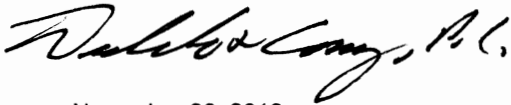
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress on pages 3a through 3k and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



November 26, 2012



The management of the City of Waynesboro offers the readers of the City of Waynesboro's financial statements this narrative overview and analysis of the City's financial position for the fiscal year ended June 30, 2012. This analysis is a cursory overview and is meant to be considered as a companion document to the *Letter of Transmittal, Financial Statements, and Notes* that follow.

Financial Highlights

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by **\$57,286,871**. Of this amount, **\$2,235,956** (unrestricted net assets) may be used to satisfy the primary government's obligations to citizens and creditors. *Refer to the Government-wide Financial Analysis on page 3c for further discussion of this highlight.*
- The City's total net assets related to the primary government increased by \$5,422,722 compared to FY11.
- The City collected significant past due property taxes, as well as associated penalty and interest, during FY12. These one-time collections had a significant positive impact on the financial statements of the General Fund, as illustrated in the 3 subsequent notes.
- As of the end of FY12, the City's governmental funds reported a combined ending fund balance of \$20,393,327--an increase of \$2,383,174 in comparison to the prior year. Of this amount, \$4,625,216 is shown as a positive change to the fund balance of the General Fund, and \$2,238,350 is a negative change to the fund balance in the Capital Improvements Fund; the remaining decrease of \$3,692 reflects changes in the fund balances of Other Governmental Funds.
- At the end of the FY12, **unrestricted** fund balance for the *General Fund* was \$13,346,640. This represents an increase of \$4,004,793, which is 43% greater than the prior fiscal year. The City currently has no fiscal policy guideline related to fund balance; however, the Government Finance Officers Association (GFOA) recommends the minimum General Fund unrestricted fund balance to be maintained should be no less than either two (2) months of regular operating revenues or expenditures. Following the GFOA guidelines of using two months of regular operating expenditures, General Fund unrestricted fund balance should be no less than \$6,075,788. As of the close of fiscal year 2012, the unrestricted fund balance in the General Fund exceeds the GFOA suggested fiscal policy guideline by \$7,270,852.
- The unassigned fund balance in the General Fund of \$11,385,888 equals approximately 29% of the General Fund's total expenditures. This total includes \$82,398 of FY12 funding to the Schools that was returned to the General Fund.
- The City's total long-term liabilities at the close of the FY12, including governmental and business type activities, were \$86,636,835. During fiscal year 2012, the city retired a total of \$4,038,545, predominantly through principal reductions. Over the same period, the City added a total of \$3,667,737, the majority of which was debt issued to provide for the purchase of land to be used for a business/industrial park. At the close of the fiscal year, the amount of debt principal payments due within one year **was** \$4,137,787. (See Note 9 for relevant disclosures regarding the City's long-term debt.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Waynesboro's basic financial statements which are comprised of three main components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparisons, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements. Condensed comparative information is provided this year and will continue to be added, the goal being to achieve a ten-year comparison for all information reported. (See pages 84-102).

Government-wide financial statements are designed to provide readers with a broad overview of the City of Waynesboro's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City of Waynesboro's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net asset values may serve as a useful indicator of whether the financial position of the City of Waynesboro is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net asset values changed during the most recent fiscal year. Changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish between the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that recover all or a significant portion of their costs from user fees and charges (business-type activities). The governmental activities of the City of Waynesboro include general government, judicial administration, public safety, street maintenance, education, parks and recreation, and community development. The business-type activities include water, sewer, refuse collection and landfill operations.

The government-wide financial statements include not only the City of Waynesboro itself (known as the primary government), but also a legally separate school board (component unit) for which the City of Waynesboro is financially accountable. Financial information for component units is reported separately from the financial information presented for the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Waynesboro uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Waynesboro can be divided into three categories: governmental, proprietary, and fiduciary.

- **Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. These two statements, read together, will give the reader a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City has one major governmental fund--the General Fund, and six non-major governmental funds. Fund financial statements immediately follow the government-wide financial statement section. Detailed statements of the non-major funds begin on page 47 of this report.
- **Proprietary funds.** The City of Waynesboro maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-like activities in the governmental-wide financial statements. The City of Waynesboro uses enterprise funds to account for water, sewer, refuse collection, and landfill operations. Internal Service funds are used to report activities of the City's Store and Equipment funds which account for inventory supplies for City operations and maintenance of the City's equipment fleet, respectively. It is important to note that the proprietary funds are accounted for on a full accrual basis, whereas the governmental funds are accounted for using a modified accrual basis.
- **Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds include accounting for agencies such as the Department of Social Services, Central Shenandoah Criminal Justice Training Academy, the Greater Augusta Regional Tourism Board,

etc. Fiduciary funds are accounted for on a full accrual basis; and their financial statements can be found on pages 56-58 in the *combining statements* section of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. The notes can be found following the Basic Financial Statements section of this report beginning on page 16.

Government-Wide Financial Analysis

As noted earlier, a comparison of net asset values over several years can serve as a useful indicator of a government's financial position. In the case of the City, total primary government assets exceeded liabilities by \$57,286,871 at the close of fiscal year 2012. Capital assets (e.g., land, buildings, machinery, and equipment) in FY12 comprise approximately 75% of total assets, compared with 75% in FY11. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although their value is reported net of related debt, it should be noted that the resources needed to repay this debt must be derived from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	23,464,730	22,186,725	12,793,171	13,122,385	36,257,901	35,309,110
Capital assets	37,096,226	32,346,089	73,015,505	74,665,265	110,111,731	107,011,354
Total assets	60,560,956	54,532,814	85,808,676	87,787,650	146,369,632	142,320,464
Current and other liabilities	3,602,170	4,327,731	2,981,543	3,134,875	6,583,713	7,462,606
Long-term liabilities outstanding	35,602,873	33,957,549	46,896,175	49,036,160	82,499,048	82,993,709
Total liabilities	39,205,043	38,285,280	49,877,718	52,171,035	89,082,761	90,456,315
Net assets:						
Invested in capital assets, net of related debt	28,582,343	28,479,287	24,126,240	23,628,183	52,708,583	52,107,470
Restricted	2,342,332	1,709,659			2,342,332	1,709,659
Unrestricted	(9,568,762)	(13,941,412)	11,804,718	11,988,432	2,235,956	(1,952,980)
Total net assets	21,355,913	16,247,534	35,930,958	35,616,615	57,286,871	51,864,149

As shown in the summary table above, it would appear that the primary government does not have the resources to meet its ongoing obligations to citizens and creditors because the negative value of its unrestricted assets is indicative of a deficit financial position. These numbers, however, are represented as such due to the dynamics of asset and liability reporting that exists between the governmental activities and the Schools, a Discrete Component Unit. Because Virginia School Boards do not have the authority to issue debt, the City is responsible for reporting all school-related debt which, at June 30, 2012, is \$22,583,373. Conversely, the holdings associated with this debt are reported by the Schools as part of its capital assets. If the debt related to the Schools was not included in the long term liabilities of the primary government, the total net assets for governmental activities would be \$43,939,286 and the total net assets for the primary government would be \$79,870,244.

Approximately 11% of the governmental activities net assets represent resources that are subject to external restrictions on how they may be used. Grants, donations, perpetual care funds, and cash set aside for capital projects comprise the restricted assets of the City. Grants and donations are normally designated for a specific purpose. The perpetual care funds are restricted in accordance with the *Code of the City of Waynesboro*, §26-6, Perpetual Care Trust Fund Reserve. The funds held for debt service are in accordance with City Council and School Board resolutions.

Overall, the City's total net assets increased by \$5,422,722 compared to FY11. This increase is the net effect of a \$314,343 increase in the net assets of the business-type activities, and a \$5,108,379 increase in the net assets of the governmental activities.

The table on the following page provides comparison information from FY11 to FY12 related to revenues and expenses of governmental and business-type activities. Revenues are broken down into program and general types. Program revenues consist of charges for services, operating grants and contributions, and capital contributions. General revenues include such sources as taxes on property, retail sales, business licenses, communications, meals, lodging, etc.

When compared to FY11, total revenues from Governmental Activities increased by \$1,996,203; a large portion of this increase was due to the collection of past-due property taxes along with associated penalty and interest. An increase in the meals and lodging tax rates led to a substantial increase in both categories, with lodging tax receipts increasing by **\$107,628**, and meals tax increasing **\$653,166**, from FY11 to FY12. Expenses related to Governmental Activities decreased by **\$1,628,288**. Community Development saw a significant decrease (\$1,059,012) **largely** due to a one-time expense related to the Governor's Opportunity Fund (\$750,000) being incurred in FY11. Public Works also saw a significant decrease in expenses from FY11 to FY12 (\$1,979,880), which is largely attributable to no paving work being done during FY12. Overall, the change in the Governmental net asset valuation was an increase of \$5,108,379 after transfers of \$722,000 are taken into consideration.

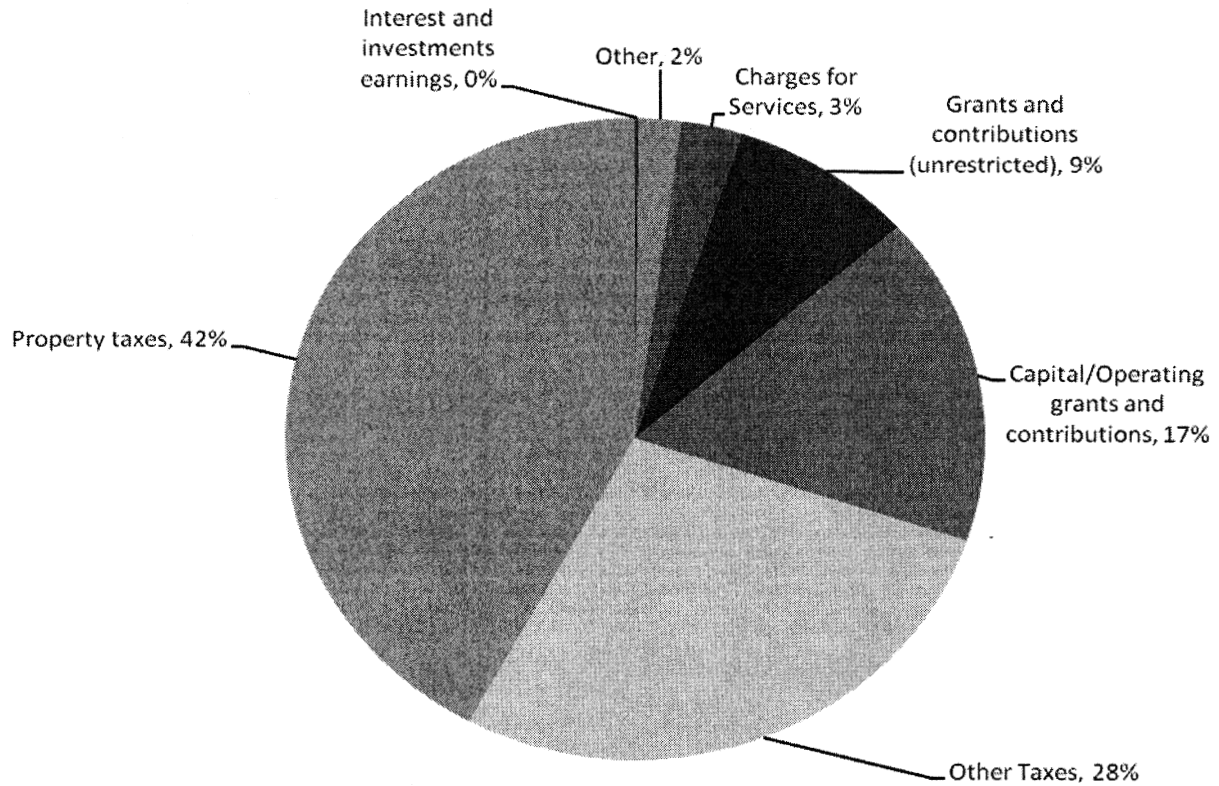
In comparison to FY11, Business-type revenues derived from charges for services increased in FY12 by \$974,429 primarily due to rate increases that went into effect July 2011. The lack of any developer capital contributions as well as the final WQIF grant receipts being recorded during **FY12** led to a decrease of \$1,262,270 in capital grants and contributions. All Business-type expenses remained relatively steady when comparing FY12 to FY11.

The City of Waynesboro, Virginia
Required Supplemental Information

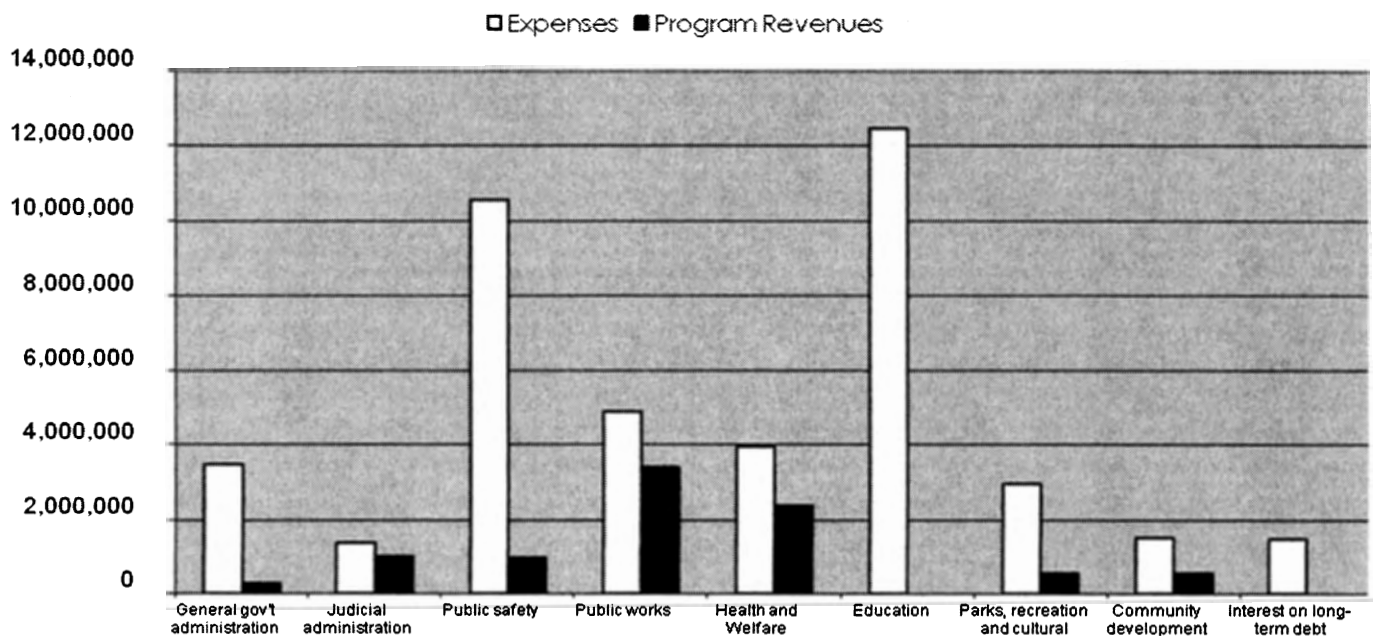
MANAGEMENT DISCUSSION & ANALYSIS
 June 30, 2012

City of Waynesboro, Virginia Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues by source:						
Program Revenues						
Charges for services	1,316,509	853,647	9,786,357	8,811,928	11,102,866	9,665,575
Operating grants and contributions	7,444,708	8,171,171	5,000	5,910	7,449,708	8,177,081
Capital grants and contributions	368,431	1,437,657	155,346	1,417,616	523,777	2,855,273
General Revenues						
Property taxes	19,820,066	17,778,371			19,820,066	17,778,371
Other taxes	13,027,987	11,843,690			13,027,987	11,843,690
Grants and contrib. (unrestricted)	4,034,685	4,109,897			4,034,685	4,109,897
Interest and Investment earnings	113,331	244,466	37,849	33,932	151,180	278,398
Other	905,795	596,410	44,045	95,299	949,840	691,709
Total Revenues	47,031,512	45,035,309	10,028,597	10,364,685	57,060,109	55,399,994
Expenses by activity:						
Governmental activity						
General government admin	3,483,499	3,287,456			3,483,499	3,287,456
Judicial administration	1,375,669	1,382,610			1,375,669	1,382,610
Public safety	10,543,735	10,117,442			10,543,735	10,117,442
Public works	4,888,803	6,868,683			4,888,803	6,868,683
Health and Welfare	3,960,411	3,814,915			3,960,411	3,814,915
Education	12,474,733	12,613,857			12,474,733	12,613,857
Parks, recreation and cultural	2,955,145	2,190,791			2,955,145	2,190,791
Community development	1,497,846	2,556,858			1,497,846	2,556,858
Interest on long-term debt	1,477,542	1,453,059			1,477,542	1,453,059
Business-type activities						
Water			3,004,078	3,084,115	3,004,078	3,084,115
Sewer			4,469,768	4,335,813	4,469,768	4,335,813
Landfill operations			414,018	423,090	414,018	423,090
Garbage			1,104,390	957,700	1,104,390	957,700
Total Expenses	42,657,383	44,285,671	8,992,254	8,800,718		53,086,389
Change in net assets before transfers	4,374,129	749,638	1,036,343	1,563,967	5,410,472	2,313,605
Contributions to permanent fund	12,250	19,050			12,250	19,050
Transfers	722,000	644,665	(722,000)	(644,665)	-	0
Increase (decrease) in net assets	5,108,379	1,413,353	314,343	919,302	5,422,722	2,332,655
Net assets - beginning as adjusted	16,247,534	14,834,181	35,616,615	34,697,313	51,864,149	49,531,494
Net assets -ending	21,355,913	16,247,534	35,930,958	35,616,615	57,286,871	51,864,149

Revenues by Source - Governmental Activities

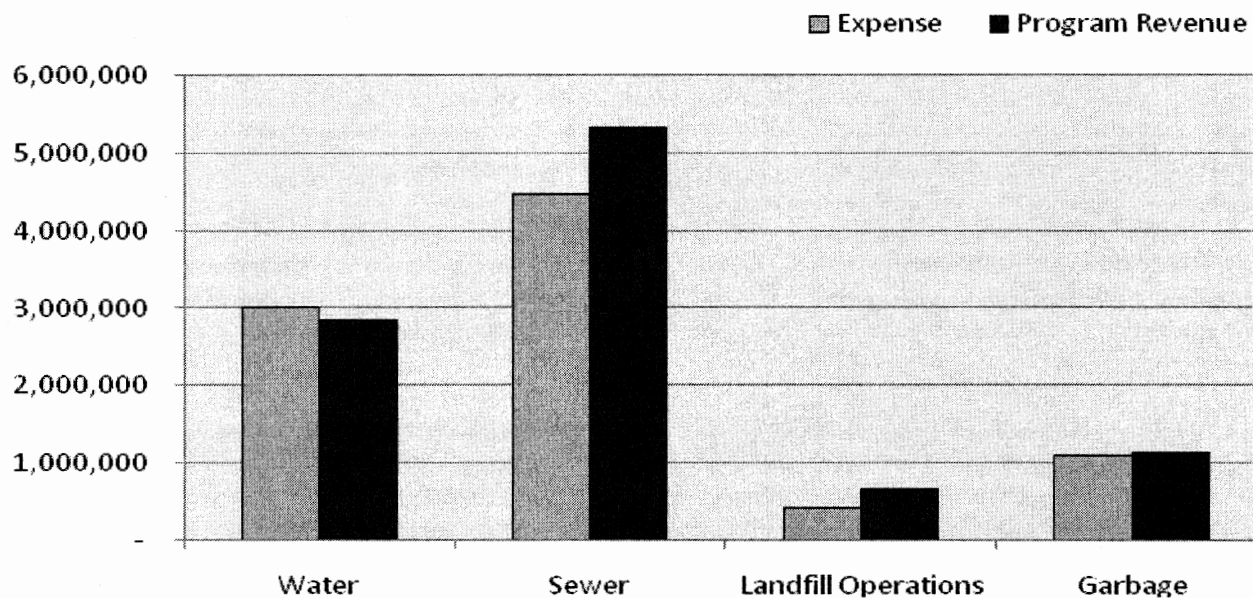


Expenses and Program Revenues-Governmental Activities



The pie chart on the previous page provides a visual breakdown of revenues by source for governmental activities indicating each source's percentage of total revenue. The bar chart depicts program revenues available during FY12 compared to the expenses incurred for governmental activities during FY12. The difference between program revenue and expenses or merely the lack of program revenues for some expenses is compensated for by non-programmatic/non-categorical General Fund revenues.

Expenses and Program Revenues - Business -type Activities



As depicted in the bar graph above, revenues exceeded associated expenses for all business-type activities in FY12 except the Water Fund. Water and Sewer rate increases have helped improve the financial position of each fund, though the Water Fund still did not generate enough revenue during FY12 to offset expenses.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY12, the City's governmental funds reported a combined ending fund balance of \$20,393,327--an increase of \$2,383,174 in comparison with the prior year. Approximately 56% of this total amount (\$11,385,888) constitutes unassigned fund balance, representing the portion of fund balance **which** has not been earmarked in some fashion by statute, outside body, or Council ordinance. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending. Major restrictions, commitments or assignments include funds for capital projects (\$4,289,298), cemetery perpetual care (\$522,799), Youth & Family Services (\$209,861), and debt service (\$306,182).

General fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,385,888, while total fund balance was \$15,014,023. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 31% of total fund expenditures, while total fund balance represents 41% of the total fund expenditures.

The fund balance of the City's General Fund increased by \$4,625,216 during FY12; however, if the \$82,398 of School unspent FY12 **local** appropriation is subtracted from the total, the net increase becomes \$4,542,818. Further analysis reveals that the City budgeted for a net reduction of fund balance of \$2,401,017 in FY12, though that figure was not realized, as actual revenues (including insurance recoveries) exceeded the budgeted revenue amount by \$3,746,726, and actual expenditures (including net inter-fund transfers) were \$3,279,507 less than budgeted. By netting the difference between the excess of actual revenues over budgeted revenues (\$3,746,726) and actual expenditures and net transfers versus budgeted expenditures and net transfers (\$3,279,507), which is a difference of \$7,026,233, with the budgeted change in fund balance (\$2,401,017), the actual change in fund balance can be calculated (\$4,625,216). This is an important concept in understanding the impact of budgeted & actual figures when considering changes in fund balance. (See exhibit 7 on page 10 for further details.)

Capital Improvements fund. The Capital improvements fund is the capital projects fund of the City. At the end of FY12, fund balance was \$4,289,298. The net change in fund balance was (\$2,238,350). This negative variance was, for the most part, the result of expenditures related to the various governmental capital improvement projects being captured in FY12, while the funding for these projects (primarily through the receipt of bond proceeds) was recorded as revenue in prior fiscal years.

Other non-major funds. As of June 30, 2012, the fund balance for the other governmental funds was \$1,090,006. This fund balance amount represents 18% of the total of all other non-major fund expenditures. The net change in fund balance was (\$3,692). (See Exhibit 14 on page 48 for detailed information on other non-major funds' fund balances.)

Proprietary funds. At the end of FY12, the total net assets of the enterprise funds were \$35,930,958. This figure represents an increase in net assets of **\$314,343** compared to FY11. The total net assets of the internal services fund at the end of FY12 were \$1,680,355 which represents a decrease from FY11 of \$124,626, or 7%. For a more detailed accounting of the activities of these funds, refer to the Exhibits beginning on page 11 of this report.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes revenues and annual appropriations for the proprietary funds as well as the accounts that comprise the general fund. The following points summarize the budgeting changes from the original to the final budget. Exhibit 7 on page 10 of the main body of this report delineates the changes from original budget to final and a detailed comparison of final budget versus actual revenues and expenditures.

- General Fund final budgeted revenues were \$160,317 greater than originally budgeted revenues. \$65,000 of the increase is attributable to Brownfield grants awarded to the City received during FY12.
- General Fund final budgeted expenditures were \$1,699,988 greater than originally budgeted expenditures. The expenditures associated with budget adjustments made at the time FY11 encumbrances were rolled to the new fiscal year (\$816,960) comprise a large portion of the increase. These encumbrances included VDOT urban maintenance funds for street paving and traffic signal installation.
- General Fund's actual revenues were \$3,617,990 greater than final budgeted revenues, representing a variance of 9%. This large variance is due largely to the receipt of past-due property taxes and the corresponding interest and penalties. The collection of past-due tax receipts of this magnitude is a one-time only event, and should not be used to predict future financial trends.
- General Fund's actual expenditures were \$3,092,984 less than final budgeted expenditures. This variance is due to several factors, including: no paving work being done during FY 12 (\$1,413,471 was budgeted), landfill post-closure budget was far greater than actual expenditures (\$423,851 variance), and total Police Department expenditures were \$354,795 less than budgeted, primarily due to vacancy savings.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets includes land, buildings, improvements other than buildings, equipment, and construction work in progress. For its governmental and business-type activities as of June 30, 2012 the City had a total investment in capital assets of \$110,111,731.

Total capital assets attributed to governmental activities increased by \$4,750,137, due primarily to the City's purchase of land to be used for a business/industrial park. The total capital assets attributed to the business-type activities decreased by \$1,649,760, due to depreciation exceeding the amount of asset additions during FY12. (See note 7, which begins on page 28, for detailed information regarding the City's capital assets)

Major capital asset events during fiscal year 2012 included the following:

- The City purchased land located near exit 96 off interstate 64 at a cost of \$3,507,117. The land is planned to be used as a business/industrial park.
- South River Greenway Phase 1A was completed, amounting to **\$244,794** of FY12 expenditures, provided for primarily by funding through VDOT.
- The Wayne Hills Stormwater Project was completed during FY12. **Some \$516,875** of capital expenditures related to the Wayne Hills Stormwater Project were incurred; this project was funded through various bond issues.
- Construction of the Library renovation project was completed; this project **was** funded primarily through 2008 GO bond proceeds.
- Two dump trucks were added in the General Fund, and **one** in the water fund, totaling \$248,336.

City of Waynesboro
Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	8,735,499	5,264,398	386,268	386,268	9,121,767	5,650,666
Buildings	10,091,648	8,664,911	47,803,148	48,831,601	57,894,796	57,496,512
Improvements other than buildings	2,106,705	2,011,905	23,585,774	24,309,540	25,692,479	26,321,445
Machinery and equipment	2,403,654	2,330,756	1,134,534	1,046,956	3,538,188	3,377,712
Infrastructure	13,141,903	12,331,112			13,141,903	12,331,112
Construction in Progress	616,817	1,743,007	105,781	90,900	722,598	1,833,907
Total Capital Assets	37,096,226	32,346,089	73,015,505	74,665,265	110,111,731	107,011,354

Long-term debt. As of June 30, 2012, the City of Waynesboro held an A1 enhanced bond rating from Moody's Investor Service. Moody's issues ratings from Aaa to C to designate the relative investment qualities of bonds, with numerical (1-3) modifiers that indicate the obligation ranking within a rating category. The City's Standard & Poor's rating is A+; Standard & Poor's issues ratings from AAA to D.

The Code of Virginia and the City's Charter limit the amount of general obligation debt that may be issued to ten percent of the total assessed value of taxable real property. Based on this limitation, the City's outstanding GO debt cannot exceed \$181,781,833. See page 96 of this report for historic debt margin comparisons.

City of Waynesboro Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
G O bonds	32,182,639	30,191,923	15,015,000	15,345,000	47,197,639	45,536,923
Literary loans	2,000,000	2,250,000			2,000,000	2,250,000
Capital Leases	16,240	32,718			16,240	32,718
VA Revolving Loans			33,663,017	35,465,122	33,663,017	35,465,122
Total O/S Debt	34,198,879	32,474,641	48,678,017	50,810,122	82,876,896	83,284,763

The table above provides comparative information related to the City's long-term outstanding debt. The decrease from 2011 to 2012 for total debt outstanding for the City is the result of total debt retirements exceeding the amount of debt issued for the business/industrial park land purchase, which was the City's lone new debt issue during FY12. As of June 30, 2012, the City had long-term debt outstanding of \$82,876,896; \$48,678,017 was for business-type activities and \$34,198,879 for governmental activities. The amount of debt principal payments due within one year for governmental activities is \$1,882,115, and \$2,160,149 for business-type activities. These debt payments were budgeted as expenditures in the FY 2013 annual appropriation ordinance. Of the total outstanding debt listed in the governmental activities column, \$11,889,112 is related to general government capital projects. The remaining debt, \$22,309,767, is related to School Board—component unit projects. (See Note 9, beginning on page 31, for relevant disclosures regarding the City's outstanding debt.)

Economic Factors and Next Year's Budget and Rates

The following factors influenced the preparation of the City's 2013 fiscal year budget:

- Revenue for meals, lodging, and sales tax were forecast to increase slightly based on economic data from FY11 and FY12.
- Machinery and Tool tax revenues were forecast to increase due to manufacturing expansion, though most of the increase is offset by rebates for development.
- Employees that met certain eligibility requirements were given a 2.25% merit increase on July 1, 2012.
- Mandated changes to employee contributions to the Virginia Retirement System led to salary adjustments that were largely offset by reduced employer contributions to VRS. Though the impact of these changes was ultimately minimal, there was a great deal of discussion about the manner in which the City should adopt the changes.
- Operational expenditures for training, materials and supplies, purchased services, and building and fleet maintenance continued to be scrutinized as the City continues to look for increased operational efficiencies.
- Many capital purchases including computer, vehicle, and equipment replacements continued to be unfunded, though some areas that had previously been neglected were addressed during FY12, primarily the Police Department patrol fleet.
- According to the Bureau of Labor, the unemployment rate in September 2011 for Waynesboro was 8.0%. Although this compares favorably to the national rate of 8.8% for the same period, it surpasses the Commonwealth's September 2011 rate of 6.3%.
- Owing to increased operating expenses for water services, water base and consumption rate increases were adopted. The sewer rate for consumption remained unchanged; base charges increased overall, but more significantly for users with larger capacity requirements.

The adopted FY13 General Fund original budget includes the use of fund balance in the amount of \$720,180 to balance revenues and expenditures—an improvement over the FY12 original budget which used \$838,235 of fund balance. Subsequent to the original FY13 budget, \$1,627,067 has been appropriated from fund balance, largely to fund prior fiscal year encumbrances (\$1,554,530). Notwithstanding the use of fund balance as a tool to achieving a balanced budget—a practice not traditionally used prior to FY10—the City's continuing efforts to increase revenue sources and amounts, coupled with its attention to expenditure control and timing has facilitated its navigation through the economic uncertainty that has largely defined the past three fiscal years.

Requests for Information

This financial report is designed to provide a general overview of the City of Waynesboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, 503 W. Main Street, Suite 203, Waynesboro, VA 22980.

Copies of this report may be downloaded from the City's website at www.waynesboro.va.us.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2012

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents	\$ 17,609,084	\$ 8,449,473	\$ 26,058,557	\$ 3,311,680	\$ 92,572
Investments	221,224	-	221,224	-	-
Receivable (net of allowance for uncollectibles):					
Taxes, including penalties	400,396	-	400,396	-	-
Accounts	682,535	1,779,684	2,462,219	54,354	-
Notes	-	-	-	-	23,225
Due from external parties	42,112	-	42,112	-	-
Due from primary government	-	-	-	-	436
Due from other governments	1,514,477	515,232	2,029,709	1,103,951	-
Due from component unit	216,151	-	216,151	-	-
Internal balances	1,068,689	(1,068,689)	-	-	-
Inventories	848,352	-	848,352	-	-
Prepaid items	-	-	-	96,726	-
Deferred charges	338,911	336,702	675,613	-	-
Restricted assets:					
Permanently restricted:					
Cash and cash equivalents	522,799	-	522,799	-	-
Investment in landfill joint venture	-	2,780,769	2,780,769	-	-
Capital assets not being depreciated:					
Land	8,735,499	386,268	9,121,767	274,493	-
Construction in progress	616,817	105,781	722,598	-	-
Capital assets, net of accumulated depreciation:					
Buildings and systems	10,091,648	47,803,148	57,894,796	39,208,915	-
Improvements other than buildings	2,106,705	23,585,774	25,692,479	1,496,714	-
Machinery and equipment	2,403,654	1,134,534	3,538,188	814,041	-
Infrastructure	13,141,903	-	13,141,903	-	-
Total assets	<u>60,560,956</u>	<u>85,808,676</u>	<u>146,369,632</u>	<u>46,360,874</u>	<u>116,233</u>
LIABILITIES					
Accounts payable and other current liabilities	991,611	379,657	1,371,268	3,303,402	-
Accrued interest payable	557,724	416,552	974,276	27,424	6,480
Due to primary government	-	-	-	216,151	-
Due to component unit	436	-	436	-	-
Unearned revenue	99,946	-	99,946	-	-
Noncurrent liabilities:					
Due within one year	1,952,453	2,185,334	4,137,787	208,650	746,894
Due in more than one year	<u>35,602,873</u>	<u>46,896,175</u>	<u>82,499,048</u>	<u>4,638,170</u>	<u>3,200,774</u>
Total liabilities	<u>39,205,043</u>	<u>49,877,718</u>	<u>89,082,761</u>	<u>8,393,797</u>	<u>3,954,148</u>
NET ASSETS					
Invested in capital assets, net of related debt	28,582,343	24,126,240	52,708,583	38,791,483	-
Restricted for:					
Judicial administration	152,882	-	152,882	-	-
Public safety	211,273	-	211,273	-	-
Public works	1,282,112	-	1,282,112	-	-
Community development	20,469	-	20,469	-	-
Council audio visual equipment	7,996	-	7,996	-	-
Tax relief	7,691	-	7,691	-	-
Capital projects	137,110	-	137,110	-	-
Perpetual care:					
Nonexpendable	522,799	-	522,799	-	-
Unrestricted	<u>(9,568,762)</u>	<u>11,804,718</u>	<u>2,235,956</u>	<u>(824,406)</u>	<u>(3,837,915)</u>
Total net assets	<u>\$ 21,355,913</u>	<u>\$ 35,930,958</u>	<u>\$ 57,286,871</u>	<u>\$ 37,967,077</u>	<u>\$ (3,837,915)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	School Board	Economic Development Authority
					Governmental Activities	Business-type Activities			
Primary government:									
Governmental activities:									
General government administration	\$ 3,483,499	\$ 40,182	\$ 218,661	\$ -	\$ (3,224,656)		\$ (3,224,656)		
Judicial administration	1,375,669	197,290	810,286	-	(368,093)		(368,093)		
Public safety	10,543,735	436,082	541,110	-	(9,566,543)		(9,566,543)		
Public works	4,888,803	22,500	3,374,429	-	(1,491,874)		(1,491,874)		
Health and welfare	3,960,411	69,765	2,293,822	-	(1,596,824)		(1,596,824)		
Education	12,474,733	-	-	-	(12,474,733)		(12,474,733)		
Parks, recreation and cultural	2,955,145	394,767	171,429	-	(2,388,949)		(2,388,949)		
Community development	1,497,846	155,923	34,971	368,431	(938,521)		(938,521)		
Interest on long-term debt	1,477,542	-	-	-	(1,477,542)		(1,477,542)		
Total governmental activities	42,657,383	1,316,509	7,444,708	368,431	(33,527,735)		(33,527,735)		
Business-type activities:									
Water	3,004,078	2,832,835	-	-	-	\$ (171,243)	(171,243)		
Sewer	4,469,768	5,156,159	-	155,346	-	841,737	841,737		
Landfill operations	414,018	670,726	-	-	-	256,708	256,708		
Garbage	1,104,390	1,126,637	5,000	-	-	27,247	27,247		
Total business-type activities	8,992,254	9,786,357	5,000	155,346	-	954,449	954,449		
Total primary government	\$ 51,649,637	\$ 11,102,866	\$ 7,449,708	\$ 523,777	(33,527,735)	954,449	(32,573,286)		
Component units:									
School board	32,721,840	559,761	18,493,906	-				\$ (13,668,173)	
Economic development authority	360,379	-	936,316	155,000				-	\$ 730,937
Total component unit	\$ 32,721,840	\$ 559,761	\$ 18,493,906	\$ -				(13,668,173)	730,937
General revenues:									
Taxes:									
General property					19,820,066	-	19,820,066	-	-
Sales					4,856,522	-	4,856,522	-	-
Utility					1,004,623	-	1,004,623	-	-
Business license					1,935,728	-	1,935,728	-	-
Hotel and meals					4,037,742	-	4,037,742	-	-
Tobacco					416,691	-	416,691	-	-
Other					776,681	-	776,681	-	-
Miscellaneous					668,325	44,045	712,370	140,001	100
Payment from City of Waynesboro					-	-	-	12,444,330	-
Payment from Component Unit School Board					200,000	-	200,000	-	-
Grants and contributions not restricted to specific programs					4,034,685	-	4,034,685	-	-
Unrestricted investment earnings					113,331	37,849	151,180	27,752	2,708
Gain on disposal of capital assets					37,470	-	37,470	-	-
Contributions to permanent fund principal					12,250	-	12,250	-	-
Transfers					722,000	(722,000)	-	-	-
Total general revenues and transfers					38,636,114	(640,106)	37,996,008	12,612,083	2,808
Change in net assets					5,108,379	314,343	5,422,722	(1,056,090)	733,745
Net assets - beginning					16,247,534	35,616,615	51,864,149	39,023,167	(4,571,660)
Net assets - ending					\$ 21,355,913	\$ 35,930,958	\$ 57,286,871	\$ 37,967,077	\$ (3,837,915)

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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**CITY OF WAYNESBORO, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

Exhibit 3

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,456,789	\$ 4,437,494	\$ 488,437	\$ 17,382,720
Investments	221,224	-	-	221,224
Receivables (Net of allowances for uncollectibles):				
Taxes, including penalties	400,396	-	-	400,396
Accounts	552,566	232	116,153	668,951
Due from other funds	1,002,080	-	-	1,002,080
Due from component unit - School Board	216,151	-	-	216,151
Due from external parties	42,112	-	-	42,112
Due from other governments	1,157,164	19,453	322,768	1,499,385
Restricted assets:				
Cash and cash equivalents	-	-	522,799	522,799
Total assets	\$ 16,048,482	\$ 4,457,179	\$ 1,450,157	\$ 21,955,818
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	283,816	30,991	162,743	477,550
Accrued payroll	271,314	-	14,513	285,827
Retainage payable	-	136,890	-	136,890
Deposits payable	2,500	-	-	2,500
Due to component unit - EDA	436	-	-	436
Due to other funds	-	-	182,895	182,895
Amounts held for others	31,568	-	-	31,568
Deferred revenues	438,417	-	-	438,417
Compensated absences	6,408	-	-	6,408
Total liabilities	1,034,459	167,881	360,151	1,562,491
Fund balances:				
Nonspendable:				
Permanent fund principal	-	-	522,799	522,799
Restricted for:				
Judicial administration	152,882	-	-	152,882
Public safety	196,233	-	-	196,233
Public works	1,282,112	-	-	1,282,112
Community development	20,469	-	-	20,469
Council audio visual equipment	7,996	-	-	7,996
Tax relief	7,691	-	-	7,691
Capital projects	-	3,602,162	-	3,602,162
Regional kennel	-	-	15,040	15,040
Committed to:				
Public works	411,870	-	-	411,870
Health and welfare	105,189	-	-	105,189
Parks, recreation and cultural	59,700	-	-	59,700
Community development	33,268	-	-	33,268
Capital projects	-	487,621	-	487,621
SAW self-funded insurance	73,718	-	-	73,718
Assigned to:				
General government administration	1,081,600	-	-	1,081,600
Public safety	2,001	-	-	2,001
Public works	131,178	-	-	131,178
Parks, recreation and cultural	7,773	-	-	7,773
Community development	54,455	-	-	54,455
Capital projects	-	199,515	-	199,515
Youth and family services	-	-	209,861	209,861
Debt service	-	-	306,182	306,182
CAPSAW	-	-	36,124	36,124
Unassigned:				
School Board	82,398	-	-	82,398
General	11,303,490	-	-	11,303,490
Total fund balances	15,014,023	4,289,298	1,090,006	20,393,327
Total liabilities and fund balances	\$ 16,048,482	\$ 4,457,179	\$ 1,450,157	\$ 21,955,818

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Exhibit 4

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 20,393,327
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,620,909
Receivables, including interest receivable, are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	15,092
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	338,471
Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,749,044
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(37,760,930)</u>
Net assets of governmental activities	<u>\$ 21,355,913</u>

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

Exhibit 5

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 19,956,957	\$ -	\$ -	\$ 19,956,957
Other local taxes	13,027,987	-	-	13,027,987
Permits, privilege fees and regulatory licenses	156,939	-	-	156,939
Fines and forfeitures	190,807	-	-	190,807
Revenue from use of money and property	137,876	11,495	5,771	155,142
Charges for services	428,085	-	11,680	439,765
Miscellaneous	167,733	221,552	120,743	510,028
Recovered costs	81,878	-	717,631	799,509
Intergovernmental:				
Local - School Board	-	-	200,000	200,000
Commonwealth	8,257,486	22,000	1,613,622	9,893,108
Federal	23,559	655,869	1,010,006	1,689,434
Total revenues	42,429,307	910,916	3,679,453	47,019,676
EXPENDITURES				
Current:				
General government administration	3,424,066	-	-	3,424,066
Judicial administration	1,295,198	-	-	1,295,198
Public safety	8,818,609	-	1,363,176	10,181,785
Public works	3,354,086	1,482,790	-	4,836,876
Health and welfare	656,566	-	3,296,862	3,953,428
Education	12,474,733	-	-	12,474,733
Parks, recreation, and cultural	2,702,506	39,892	-	2,742,398
Community development	1,762,793	-	-	1,762,793
Capital projects	-	4,960,867	-	4,960,867
Debt service:				
Principal retirement	1,231,254	-	563,609	1,794,863
Interest and fiscal charges	719,116	-	803,160	1,522,276
Bond issuance costs	15,800	-	-	15,800
Total expenditures	36,454,727	6,483,549	6,026,807	48,965,083
Excess (deficiency) of revenues over (under) expenditures	5,974,580	(5,572,633)	(2,347,354)	(1,945,407)
OTHER FINANCING SOURCES (USES)				
Insurance recoveries - worker's compensation	128,736	-	-	128,736
Issuance of capital debt	16,750	3,502,350	-	3,519,100
Transfers in	1,042,878	148,902	2,347,571	3,539,351
Transfers out	(2,537,728)	(316,969)	(3,909)	(2,858,606)
Total other financing sources and uses	(1,349,364)	3,334,283	2,343,662	4,328,581
Net change in fund balances	4,625,216	(2,238,350)	(3,692)	2,383,174
Fund balance - beginning (as adjusted)	10,388,807	6,527,648	1,093,698	18,010,153
Fund balance - ending	\$ 15,014,023	\$ 4,289,298	\$ 1,090,006	\$ 20,393,327

CITY OF WAYNESBORO, VIRGINIA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2012

Exhibit 6

Net change in fund balances - total governmental funds (Exhibit 5)	\$ 2,383,174
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (6,141,858) exceeded depreciation (1,412,945) in the current period.	4,728,913
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(142,120)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,708,437)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(26,089)
In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the <i>cost</i> of the property sold.	(50,459)
Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(76,603)
Change in net assets of governmental activities	<u>\$ 5,108,379</u>

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 17,139,903	\$ 17,139,903	\$ 19,956,957	\$ 2,817,054
Other local taxes	12,509,691	12,511,691	13,027,987	516,296
Permits, privilege fees and regulatory licenses	196,860	197,020	156,939	(40,081)
Fines and forfeitures	122,250	130,260	190,807	60,547
Revenue from use of money and property	118,551	120,551	137,876	17,325
Charges for services	362,200	373,058	428,085	55,027
Miscellaneous	39,123	59,881	167,733	107,852
Recovered costs	36,900	39,708	81,878	42,170
Intergovernmental:				
Commonwealth	8,125,522	8,216,680	8,257,486	40,806
Federal	-	22,565	23,559	994
Total revenues	<u>38,651,000</u>	<u>38,811,317</u>	<u>42,429,307</u>	<u>3,617,990</u>
EXPENDITURES				
Current:				
General government administration	3,393,823	3,406,253	3,424,066	(17,813)
Judicial administration	1,431,713	1,440,155	1,295,198	144,957
Public safety	9,217,156	9,205,662	8,818,609	387,053
Public works	4,846,516	5,597,749	3,354,086	2,243,663
Health and welfare	496,756	681,756	656,566	25,190
Education	12,354,958	12,557,131	12,474,733	82,398
Parks, recreation and cultural	2,677,860	2,790,551	2,702,506	88,045
Community development	1,665,191	1,861,610	1,762,793	98,817
Debt service:				
Principal retirement	1,231,254	1,231,254	1,231,254	-
Interest and fiscal charges	532,496	775,590	719,116	56,474
Bond issuance costs	-	-	15,800	(15,800)
Total expenditures	<u>37,847,723</u>	<u>39,547,711</u>	<u>36,454,727</u>	<u>3,092,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>803,277</u>	<u>(736,394)</u>	<u>5,974,580</u>	<u>6,710,974</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries - worker's compensation	-	-	128,736	128,736
Proceeds from issuance of debt	-	16,750	16,750	-
Transfers in	722,900	1,058,580	1,042,878	(15,702)
Transfers out	(2,364,412)	(2,739,953)	(2,537,728)	202,225
Total other financing sources and uses	<u>(1,641,512)</u>	<u>(1,664,623)</u>	<u>(1,349,364)</u>	<u>315,259</u>
Net change in fund balances	(838,235)	(2,401,017)	4,625,216	7,026,233
Fund balance - beginning	<u>838,235</u>	<u>2,401,017</u>	<u>10,388,807</u>	<u>7,987,790</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,014,023</u>	<u>\$ 15,014,023</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

Exhibit 8

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,459,374	\$ 6,033,594	\$ 956,505	\$ 8,449,473	\$ 226,364
Accounts receivable (net of allowance for uncollectibles)	505,059	998,308	276,317	1,779,684	13,584
Due from other governments	-	515,232	-	515,232	-
Inventory	-	-	-	-	848,352
Total current assets	<u>1,964,433</u>	<u>7,547,134</u>	<u>1,232,822</u>	<u>10,744,389</u>	<u>1,088,300</u>
Noncurrent assets:					
Deferred charges	198,954	137,748	-	336,702	-
Equity interest in joint venture	-	-	2,780,769	2,780,769	-
Capital assets:					
Land	342,088	44,180	-	386,268	-
Buildings	9,019,357	43,318,078	113,453	52,450,888	-
Improvements other than buildings	16,275,379	29,657,793	-	45,933,172	-
Machinery and equipment	706,118	1,503,292	1,118,975	3,328,385	5,922,443
Construction in progress	10,381	95,400	-	105,781	-
Less accumulated depreciation	(9,270,840)	(19,107,780)	(810,369)	(29,188,989)	(4,447,126)
Total capital assets (net of accumulated depreciation)	<u>17,082,483</u>	<u>55,510,963</u>	<u>422,059</u>	<u>73,015,505</u>	<u>1,475,317</u>
Total noncurrent assets	<u>17,281,437</u>	<u>55,648,711</u>	<u>3,202,828</u>	<u>76,132,976</u>	<u>1,475,317</u>
Total assets	<u>19,245,870</u>	<u>63,195,845</u>	<u>4,435,650</u>	<u>86,877,365</u>	<u>2,563,617</u>
LIABILITIES					
Current liabilities:					
Accounts payable	43,199	33,745	128,328	205,272	45,855
Accrued payroll	21,247	24,687	10,956	56,890	5,013
Accrued interest payable	270,180	146,372	-	416,552	-
Deposits payable	116,475	-	1,020	117,495	-
Due to other funds	-	-	-	-	819,185
Compensated absences	3,000	7,000	-	10,000	1,000
General obligation bonds - current	262,629	368,015	-	630,644	-
Revenue bonds payable - current	-	1,544,690	-	1,544,690	-
Total current liabilities	<u>716,730</u>	<u>2,124,509</u>	<u>140,304</u>	<u>2,981,543</u>	<u>871,053</u>
Noncurrent liabilities:					
Compensated absences	39,801	44,773	28,195	112,769	3,688
Net OPEB obligation	27,003	26,813	15,659	69,475	8,521
General obligation bonds payable (net of unamortized premium and deferred amount on refunding)	12,134,631	7,530,566	-	19,665,197	-
Revenue bonds payable	-	27,048,734	-	27,048,734	-
Total noncurrent liabilities	<u>12,201,435</u>	<u>34,650,886</u>	<u>43,854</u>	<u>46,896,175</u>	<u>12,209</u>
Total liabilities	<u>12,918,165</u>	<u>36,775,395</u>	<u>184,158</u>	<u>49,877,718</u>	<u>883,262</u>
NET ASSETS					
Invested in capital assets, net of related debt	4,685,223	19,018,958	422,059	24,126,240	1,475,317
Unrestricted	<u>1,642,482</u>	<u>7,401,492</u>	<u>3,829,433</u>	<u>12,873,407</u>	<u>205,038</u>
Total net assets	<u>\$ 6,327,705</u>	<u>\$ 26,420,450</u>	<u>\$ 4,251,492</u>	<u>36,999,647</u>	<u>\$ 1,680,355</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. (1,068,689)

Net assets of business-type activities \$ 35,930,958

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

Exhibit 9

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 2,832,835	\$ 5,156,159	\$ 1,797,363	\$ 9,786,357	\$ 1,876,694
Miscellaneous	1,400	22,089	20,556	44,045	5,506
Total operating revenues	<u>2,834,235</u>	<u>5,178,248</u>	<u>1,817,919</u>	<u>9,830,402</u>	<u>1,882,200</u>
OPERATING EXPENSES					
Personal services	1,150,058	1,355,178	654,951	3,160,187	285,746
Contractual services	146,588	137,399	432,569	716,556	134,464
Other supplies and expenses	164,510	674,808	157,324	996,642	1,311,737
Depreciation	972,144	1,915,552	64,929	2,952,625	350,385
Total operating expenses	<u>2,433,300</u>	<u>4,082,937</u>	<u>1,309,773</u>	<u>7,826,010</u>	<u>2,082,332</u>
Operating income (loss)	<u>400,935</u>	<u>1,095,311</u>	<u>508,146</u>	<u>2,004,392</u>	<u>(200,132)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental:					
Commonwealth	-	-	5,000	5,000	-
Interest income	7,018	24,799	6,032	37,849	-
Gain (loss) on disposal of assets	-	-	-	-	34,251
Gain (loss) on equity interest	-	-	(152,793)	(152,793)	-
Interest and fiscal charges	(591,059)	(365,489)	-	(956,548)	-
Amortization	(3,890)	(4,990)	-	(8,880)	-
Total nonoperating revenues (expenses)	<u>(587,931)</u>	<u>(345,680)</u>	<u>(141,761)</u>	<u>(1,075,372)</u>	<u>34,251</u>
Income before contributions and transfers	<u>(186,996)</u>	<u>749,631</u>	<u>366,385</u>	<u>929,020</u>	<u>(165,881)</u>
Capital contributions	-	155,346	-	155,346	-
Transfers in	28,975	-	-	28,975	41,255
Transfers out	<u>(305,000)</u>	<u>(336,975)</u>	<u>(109,000)</u>	<u>(750,975)</u>	<u>-</u>
Change in net assets	<u>(463,021)</u>	<u>568,002</u>	<u>257,385</u>	<u>362,366</u>	<u>(124,626)</u>
Total net assets - beginning	<u>6,790,726</u>	<u>25,852,448</u>	<u>3,994,107</u>		<u>1,804,981</u>
Total net assets - ending	<u>\$ 6,327,705</u>	<u>\$ 26,420,450</u>	<u>\$ 4,251,492</u>		<u>\$ 1,680,355</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. (48,023)

Change in net assets of business-type activities \$ 314,343

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

Exhibit 10

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 2,765,137	\$ 4,854,074	\$ 1,803,887	\$ 9,423,098	\$ -
Cash received from interfund services provided	-	-	-	-	1,907,722
Cash paid to suppliers	(274,801)	(804,242)	(589,983)	(1,669,026)	(1,388,000)
Cash paid to employees	(1,179,158)	(1,374,055)	(668,087)	(3,221,300)	(289,218)
Other receipts (payments)	1,400	22,089	20,556	44,045	5,506
Net cash provided (used) by operating activities	1,312,578	2,697,866	566,373	4,576,817	236,010
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Subsidy from state grant	-	-	5,000	5,000	-
Transfer from other funds	28,975	-	-	28,975	-
Transfer to other funds	(305,000)	(336,975)	(134,184)	(776,159)	(114,742)
Net cash provided (used) by noncapital financing activities	(276,025)	(336,975)	(129,184)	(742,184)	(114,742)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	-	-	-	87,928
Acquisition and construction of capital assets	(587,215)	(833,677)	-	(1,420,892)	(475,745)
Transfer from other funds	-	-	-	-	41,255
Principal paid on capital debt	(244,627)	(1,887,478)	-	(2,132,105)	-
Interest paid on capital debt	(595,445)	(377,110)	-	(972,555)	-
Net cash provided (used) by capital and related financing activities	(1,427,287)	(3,098,265)	-	(4,525,552)	(346,562)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	7,018	24,799	6,032	37,849	-
Cash paid to joint venture	-	-	(150,121)	(150,121)	-
Net cash provided (used) by investing activities	7,018	24,799	(144,089)	(112,272)	-
Net increase (decrease) in cash and cash equivalents	(383,716)	(712,575)	293,100	(803,191)	(225,294)
Cash and cash equivalents - beginning of year	1,843,090	6,746,169	663,405	9,252,664	451,658
Cash and cash equivalents - end of year	\$ 1,459,374	\$ 6,033,594	\$ 956,505	\$ 8,449,473	\$ 226,364

cont'd

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				Exhibit 10 (cont'd)
					Governmental
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 400,935	\$ 1,095,311	\$ 508,146	\$ 2,004,392	\$ (200,132)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	972,144	1,915,552	64,929	2,952,625	350,385
(Increase) decrease in accounts receivable	(73,233)	(302,085)	6,584	(368,734)	31,028
(Increase) decrease in inventory	-	-	-	-	99,045
Increase (decrease) in accounts payable	36,297	7,965	(90)	44,172	(40,844)
Increase (decrease) in accrued payroll	(29,671)	(35,419)	(19,373)	(84,463)	(8,783)
Increase (decrease) in net OPEB obligation	2,441	2,943	1,355	6,739	623
Increase (decrease) in deposits payable	5,535	-	(60)	5,475	-
Increase (decrease) in compensated absences	(1,870)	13,599	4,882	16,611	4,688
Total Adjustments	911,643	1,602,555	58,227	2,572,425	436,142
Net cash provided (used) by operating activities	\$ 1,312,578	\$ 2,697,866	\$ 566,373	\$ 4,576,817	\$ 236,010

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO, VIRGINIA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2012

	Exhibit 11
	Total Agency Funds
ASSETS	
Cash and cash equivalents	\$ 472,580
Accounts receivable	49,485
Due from other governments	13,102
Total assets	<u>\$ 535,167</u>
LIABILITIES	
Accounts payable	947
Accrued payroll	6,012
Payroll taxes and fringes payable	454,250
Due to external parties	42,112
Net OPEB obligation	13,102
Amounts held for social service clients	18,744
Total liabilities	<u>\$ 535,167</u>

CITY OF WAYNESBORO, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waynesboro, Virginia (the "City") conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

A. Reporting Entity

The City was incorporated in 1948 and organized under the Council-Manager form of government. The City is governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units:

The City has no blended component units.

Discretely Presented Component Units:

The component unit columns in the financial statements include the financial data of the City's discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the City.

The City of Waynesboro School Board was created as a separate legal entity by the City to oversee the operations and management of its publicly funded primary and secondary schools. The members of the School Board are elected by the voters. Because the School Board does not have taxing power, it is fiscally dependent on the City to provide significant funding to operate and maintain the public schools. In addition, the City must approve the School Board budget and approve any debt issuances.

The Waynesboro Economic Development Authority was established under the Industrial Development and Revenue Bond Act of the *Code of Virginia* and has the responsibility to promote industry and develop trade by inducing manufacturing, industrial, and other commercial enterprises to locate or remain in the City. The City appoints all seven members of the Authority's Board of Directors. In fiscal year 2009, the Authority issued a \$6.25 million note payable to finance an incentive grant that will be payable solely from financial assistance made available by the City to the Authority. As a result, the Authority imposes a financial burden on the City.

Separate financial statements of these component units are not available.

Undivided Interests and Joint Ventures:

The City, along with the City of Staunton and the County of Augusta, is a participant in the Augusta Regional Landfill (the "Landfill"). The Landfill, which has both an undivided interest component and joint venture component, was formed to develop regional refuse disposal, including the development of facilities and systems for recycling, waste reduction, and disposal alternatives with the ultimate goal of acquiring, financing, constructing, and operating/maintaining regional solid waste disposal areas, systems, and facilities. Assets, liabilities, net assets, revenues and expenses of the undivided interest component are reported by the City in its ACSA Joint Landfill Fund. Likewise, the City's investment in the joint venture component of the Landfill, which is an explicit, measurable, equity interest, is reported as an asset in the ACSA Joint Landfill Fund and totaled \$2,780,769 as of June 30, 2012. Complete financial statements of the Augusta Regional Landfill can be obtained from the entity's administrative offices by contacting the Augusta County Service Authority, P.O. Box 859, Verona, VA 24482-0859.

The City, in conjunction with the City of Staunton and the County of Augusta, is a participant in the Middle River Regional Jail Authority, but has no equity interest in the venture. Capital and operating costs are allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. In accordance with the service agreement, the Authority has divided its charges to member jurisdictions into an operating component and a debt service component. The City paid the Jail Authority \$1,352,123 for the year ended June 30, 2012.

The City, in conjunction with the City of Staunton and the County of Augusta, is a participant in a Regional Animal Shelter, with equity interest in the venture. Capital and operating costs are allocated annually based on percentage

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A. Reporting Entity (cont'd)

Undivided Interests and Joint Ventures: (cont'd)

of ownership of each locality. Activity is shown in a special revenue fund, named Regional Kennel Fund. The City paid the Regional Animal Shelter \$67,924 for the year ended June 30, 2012.

Excluded Organizations:

The financial activities of the following organization is excluded from the City's annual financial report because the City is not financially accountable for the organization:

- Waynesboro Redevelopment Housing Authority

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency fund financial statements, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The governmental funds use the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than on net income determination as would apply to a commercial enterprise. The City reports the following governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.

Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Virginia Public Assistance, Comprehensive Services Act, and Youth and Family Services, Community Action Partnership of Staunton, Augusta, Waynesboro, and the Regional Kennel Funds.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Debt service funds consist of the Debt Revenue Fund.

Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital project funds consist of the Capital Improvements Fund, which is considered a major fund for financial reporting purposes.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Permanent funds consist of the Cemetery Care Fund.

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The proprietary funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income. Proprietary funds consist of Enterprise and Internal Service Funds. The government reports the following proprietary funds:

Enterprise funds account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Water, Sewer, Garbage, and the ACSA Joint Landfill Funds. The Water and Sewer Funds are considered major funds for financial reporting purposes.

Internal service funds account for the financing of goods or services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Equipment and Stores Fund.

Fiduciary Funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds reported by the City include the Payroll Fringes, Special Welfare, Shenandoah Valley Police Academy, and First Aid Crew Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water, sewer, and garbage functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, Garbage, ACSA Joint Landfill, and internal service funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenue and expenses not meeting the operating definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Deposits and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component unit, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the internal service fund consist of expendable supplies held for consumption and are accounted for under the consumption method. Cost is recorded as an expense at the time the individual inventory items are used.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

4. Property Taxes

Property is assessed at its value on January 1. Property Taxes attach as an enforceable lien on property as of January 1. Real property taxes are payable in two installments on July 31 and December 5 and personal property taxes are payable in one installment on December 5. The City bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,278,811 at June 30, 2012, and consisted of the following:

General Fund – taxes	\$ 528,006
Water Fund – utility billings	230,296
Sewer Fund – utility billings	380,156
Garbage Fund – utility billings	<u>140,353</u>
Total	<u>\$1,278,811</u>

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Restricted Assets

Cash investments of \$522,799 in the Cemetery Care Fund, a permanent fund, are nonspendable and thus restricted. Only earnings may be used by the City to fund the cemetery maintenance costs.

8. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to the City's implementation of GASB Statement 34 are included in the City's capital asset totals.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements other than buildings	20
Machinery and equipment	5-20
Infrastructure	20-50

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

9. Compensated Absences

In accordance with Governmental Accounting Standards Board Statement 16, "Accounting for Compensated Absences," the City has accrued the liability arising from outstanding compensated absences.

City employees earn sick leave at the rate of 8 hours per month. No benefits or pay is received for unused sick leave upon termination. City employees earn varying amounts of vacation dependent upon years of service. Accumulated vacation up to 56 days is paid upon termination. Law enforcement officers can earn up to 80 hours of compensatory time that would be paid upon termination.

School Board 11- and 12-month personnel earn varying amounts of annual leave dependent upon years of service. Accumulated annual leave up to 30 days will be paid upon termination. School Board personnel with at least 5 years of service may be paid for up to 120 days unused sick time at a rate of \$20 per day for professional employees and \$10 per day for support personnel.

10. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt plus premiums issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

Financial policies - For fiscal year 2012, no formal policy regarding fund balance has been adopted by the City. When both restricted and unrestricted resources are available, the City considers restricted funds used first, followed by unrestricted funds. When an expenditure is incurred where multiple unrestricted categories could be used, the City follows the subsequent order of use: committed amounts are used first, followed by assigned amounts, then unassigned amounts.

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance - Restricted funds are either externally imposed (such as debt covenants, grantors, contributors, or other governments) or are imposed by law (constitutionally or enabling legislation). The source of the constraint comes from outside the government and cannot be changed by City Council.

Committed fund balance - The City's committed funds require formal action of the City Council either by resolution or ordinance that identifies the specific circumstances under which resources may be expended.

Assigned fund balance - Amounts that are constrained by the City's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed are classified as assigned. Intent can be stipulated by the governing body, another body (such as the Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

11. Fund Equity (cont'd)

Unassigned fund balance – Unassigned funds consist of amounts not assigned, committed, or restricted, and are funds that are considered to be available for any purpose.

12. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets.

13. Component Unit – School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction, or improvement of its capital assets. That responsibility lies with the City who issue debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets due to their responsibility for maintaining the assets.

In the Statement of Net Assets, this scenario presents a dilemma for the City. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the City. The corresponding capital assets are reported as assets of the Component Unit – School Board, thereby increasing its net assets.

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any new property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. As of June 30, 2012, the City does not record the School Board's capital assets, they are reported as capital assets of the Component Unit – School Board.

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of these \$37,760,930, \$4,874,244, and \$3,954,148 differences for the primary government and discretely presented component units-school board and economic development authority, respectively, are as follows:

	Component Units		
	Primary Government	School Board	Economic Development Authority
Bonds payable	\$ 34,182,639	\$ -	\$ -
Less: Unamortized bond issue costs	(338,911)	-	-
Plus: Issuance premium	411,938	-	-
Note payable	-	-	3,947,668
Capital leases payable	16,240	3,002,680	-
Landfill closure liability	1,873,083	-	-
Accrued interest payable	557,724	27,424	6,480
Net OPEB obligation	414,902	1,204,000	-
Compensated absences	643,315	640,140	-
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 37,760,930</u>	<u>\$ 4,874,244</u>	<u>\$ 3,954,148</u>

Another element of that reconciliation explains, "Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets." The details of this \$2,749,044 difference in the primary government are as follows:

Net assets of the internal service funds	\$ 1,680,355
Add: Internal receivable representing costs in excess of charges to business-type activities - prior years	1,020,666
Add: Internal receivable representing costs in excess of charges to business-type activities - current year	<u>48,023</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 2,749,044</u>

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont'd)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states, "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of these \$1,708,437, \$174,137, and \$984,157 differences in the primary government and discretely presented component units-school board and economic development authority, respectively, are as follows:

	Primary Government	Component Units	
		School Board	Economic Development Authority
Debt issued or incurred:			
Issuance of general obligation bonds	\$ 3,519,100	\$ -	\$ -
Principal repayments:			
General obligation debt	(1,778,385)	-	-
Note payable	-	-	(984,157)
Capital lease	(16,478)	(174,137)	-
Bond issuance costs	(15,800)	-	-
Net adjustment to increase/decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,708,437</u>	<u>\$ (174,137)</u>	<u>\$ (984,157)</u>

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$26,089, \$285,492, and \$(5,158) differences for the primary government and discretely presented component units-school board and economic development authority, respectively, are as follows:

	Primary Government	Component Units	
		School Board	Economic Development Authority
Compensated absences	\$ 50,539	\$ 38,082	\$ -
Accrued interest	(28,808)	(1,590)	(5,158)
Landfill post-closure care liability	(13,641)	-	-
Increase in net OPEB obligation	33,925	249,000	-
Amortization of bond issue costs	30,786	-	-
Amortization of issuance premium	(46,712)	-	-
Net adjustment to increase/decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 26,089</u>	<u>\$ 285,492</u>	<u>\$ (5,158)</u>

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont'd)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (cont'd)

Another element of that reconciliation states, "Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities." The details of this \$(76,603) difference in the primary government are as follows:

Change in net assets of the internal service funds	\$ (124,626)
Add: Loss from costs in excess of charges to business-type activities	<u>48,023</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (76,603)</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to March 30, the City Manager submits to City Council a proposed budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of a budget resolution.
4. The budget resolution places legal restrictions on expenditures at the function level (i.e. General Government Administration, Public Safety, etc.) The appropriations for each function can be revised only by the City Council.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budget data presented in the accompanying financial statements includes the original budget and the revised budget as of June 30, 2012.
7. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

4. DEPOSITS AND INVESTMENTS

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The City has no investment policies that would further limit their investment choices.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

4. DEPOSITS AND INVESTMENTS (cont'd)

Credit Risk – The City's investments are subject to credit risk, concentration of credit risk, and interest rate risk as described below. The City's investments are not subject to custodial risk or foreign currency risk.

The City's rated debt investments as of June 30, 2012 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Quality Ratings</u>	
		<u>AAAm</u>	<u>Unrated</u>
Primary Government			
Local Government Investment Pool	\$ 221,224	\$ 221,224	\$ -
Total Fair Value	<u>\$ 221,224</u>	<u>\$ 221,224</u>	<u>\$ -</u>

Concentration of Credit Risk – The City places no limits on the amount that may be invested in any one issuer.

Interest Rate Risk – As of June 30, 2012, the City had investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Primary Government				
Local Government Investment Pool	\$ 221,224	\$ 221,224	\$ -	\$ -
Total Fair Value	<u>\$ 221,224</u>	<u>\$ 221,224</u>	<u>\$ -</u>	<u>\$ -</u>

The City does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arriving from increasing interest rates.

5. DUE FROM OTHER GOVERNMENTS

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
School Funds	\$ -	\$ 595,673
State sales taxes	-	508,278
Local sales taxes	813,867	-
Water quality funds	515,232	-
Communications tax	226,180	-
Public assistance grants	46,242	-
Comprehensive Services Act funds	134,868	-
Other State funds	132,208	-
Total Due from the Commonwealth	<u>1,868,597</u>	<u>1,103,951</u>
Federal Government:		
Department of Labor	21,292	-
Department of Justice	8,614	-
Department of Criminal Justice Services	14,014	-
Community Services Block Grant	37,536	-
Community Development Block Grant	19,453	-
Public assistance grants	29,996	-
Department of Health & Human Services	30,207	-
Total Due from the Federal Government	<u>161,112</u>	<u>-</u>
Total Due from Other Governments	<u>\$ 2,029,709</u>	<u>\$ 1,103,951</u>

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2012 consisted of the following:

Primary Government:

Due to General Fund from:

Nonmajor governmental funds	\$ 182,895
Nonmajor Internal Service Fund	<u>819,185</u>
Total due to General Fund from other funds for cash advances	<u>\$ 1,002,080</u>

Interfund balances are due to the fact that the general fund aided in funding the operations in various other funds.

Interfund transfers for the year ended June 30, 2012 consisted of the following:

Primary Government:

Transfers to General Fund from:

Nonmajor governmental funds	\$ 3,909
Capital Improvements Fund for operations	316,969
Water Fund for operations	305,000
Sewer Fund for operations	308,000
Nonmajor enterprise funds for operations	<u>109,000</u>
Total transfers to General Fund	<u>\$ 1,042,878</u>

Transfers to Capital Improvements Fund from:

General Fund for capital projects	<u>\$ 148,902</u>
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Transfers to Water Fund from:

Sewer Fund for operations	<u>\$ 28,975</u>
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Transfers to nonmajor governmental funds from:

General Fund for welfare assistance	\$ 1,148,628
General Fund for debt service	<u>1,198,943</u>
Total transfers to nonmajor governmental funds	<u>\$ 2,347,571</u>

Transfers to nonmajor Internal Service Fund from:

General Fund for equipment purchases	<u>\$ 41,255</u>
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Component Unit School Board:

Transfers to School Textbook Fund from:

School Operating Fund	<u>\$ 125,253</u>
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Transfers to School Operating Fund from:

School Textbook Fund	<u>\$ 57,712</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

7. CAPITAL ASSETS

PRIMARY GOVERNMENT

A summary of the changes in the City's capital assets for *governmental activities* is as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 5,264,398	\$ 3,507,117	\$ (36,016)	\$ 8,735,499
Construction in progress	1,743,007	339,415	(1,465,605)	616,817
Total capital assets not being depreciated	<u>7,007,405</u>	<u>3,846,532</u>	<u>(1,501,621)</u>	<u>9,352,316</u>
Capital assets, being depreciated				
Buildings	13,847,564	1,726,344	-	15,573,908
Improvements other than buildings	4,120,336	262,661	-	4,382,997
Equipment	8,466,034	716,662	(350,499)	8,832,197
Infrastructure	46,807,794	1,516,565	-	48,324,359
Total capital assets being depreciated	<u>73,241,728</u>	<u>4,222,232</u>	<u>(350,499)</u>	<u>77,113,461</u>
Less accumulated depreciation for:				
Buildings	(5,182,653)	(299,607)	-	(5,482,260)
Improvements other than buildings	(2,108,431)	(167,861)	-	(2,276,292)
Equipment	(6,135,278)	(590,088)	296,823	(6,428,543)
Infrastructure	(34,476,682)	(705,774)	-	(35,182,456)
Total accumulated depreciation	<u>(47,903,044)</u>	<u>(1,763,330)</u>	<u>296,823</u>	<u>(49,369,551)</u>
Total capital assets being depreciated, net	<u>25,338,684</u>	<u>2,458,902</u>	<u>(53,676)</u>	<u>27,743,910</u>
Governmental activities capital assets, net	<u>\$ 32,346,089</u>	<u>\$ 6,305,434</u>	<u>\$ (1,555,297)</u>	<u>\$ 37,096,226</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Governmental activities:	
General government administration	\$ 63,194
Judicial administration	67,246
Public safety	253,118
Public works	1,123,803
Health and welfare	5,207
Parks, recreation, and cultural	187,227
Community development	<u>63,535</u>
Total depreciation expense – governmental activities	<u>\$ 1,763,330</u>

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

7. CAPITAL ASSETS (cont'd)

PRIMARY GOVERNMENT (cont'd)

A summary of the changes in the City's capital assets for *business-type activities* is as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 386,268	\$ -	\$ -	\$ 386,268
Construction in progress	90,900	14,881	-	105,781
Total capital assets not being depreciated	<u>477,168</u>	<u>14,881</u>	<u>-</u>	<u>492,049</u>
Capital assets, being depreciated:				
Buildings	52,450,888	-	-	52,450,888
Improvements other than buildings	44,927,598	1,005,574	-	45,933,172
Equipment	3,106,305	282,410	(60,330)	3,328,385
Total capital assets being depreciated	<u>100,484,791</u>	<u>1,287,984</u>	<u>(60,330)</u>	<u>101,712,445</u>
Less accumulated depreciation for:				
Buildings	(3,619,287)	(1,028,453)	-	(4,647,740)
Improvements other than buildings	(20,618,058)	(1,729,340)	-	(22,347,398)
Equipment	(2,059,349)	(194,832)	60,330	(2,193,851)
Total accumulated depreciation	<u>(26,296,694)</u>	<u>(2,952,625)</u>	<u>60,330</u>	<u>(29,188,989)</u>
Total capital assets being depreciated, net	<u>74,188,097</u>	<u>(1,664,641)</u>	<u>-</u>	<u>72,523,456</u>
Business-type activities capital assets, net	<u>\$ 74,665,265</u>	<u>\$ (1,649,760)</u>	<u>\$ -</u>	<u>\$ 73,015,505</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Business-type activities:	
Water	\$ 972,144
Sewer	1,915,552
Garbage	<u>64,929</u>
Total depreciation expense – business-type activities	<u>\$ 2,952,625</u>

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

7. CAPITAL ASSETS (cont'd)

COMPONENT UNIT - SCHOOL BOARD

A summary of the changes in the Discretely Presented Component Unit School Board's capital assets is as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 274,493	\$ -	\$ -	\$ 274,493
Construction in progress	983,433	143,538	(1,126,971)	-
Total capital assets not being depreciated	<u>1,257,926</u>	<u>143,538</u>	<u>(1,126,971)</u>	<u>274,493</u>
Capital assets, being depreciated:				
Buildings	50,416,120	1,023,854	-	51,439,974
Improvements other than buildings	3,740,682	33,644	-	3,774,326
Equipment	3,262,920	77,348	-	3,340,268
Total capital assets being depreciated	<u>57,419,722</u>	<u>1,134,846</u>	<u>-</u>	<u>58,554,568</u>
Less accumulated depreciation for:				
Buildings	(11,246,972)	(984,087)	-	(12,231,059)
Improvements other than buildings	(2,134,874)	(142,738)	-	(2,277,612)
Equipment	(2,377,621)	(148,606)	-	(2,526,227)
Total accumulated depreciation	<u>(15,759,467)</u>	<u>(1,275,431)</u>	<u>-</u>	<u>(17,034,898)</u>
Total capital assets being depreciated, net	<u>41,660,255</u>	<u>(140,585)</u>	<u>-</u>	<u>41,519,670</u>
School Board capital assets, net	<u>\$ 42,918,181</u>	<u>\$ 2,953</u>	<u>\$ (1,126,971)</u>	<u>\$ 41,794,163</u>

Depreciation expense was charged to functions/programs of the Component Unit' School Board's governmental activities as follows:

Governmental activities:	
Education	<u>\$ 1,275,431</u>

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

8. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of fiscal year 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred Property Tax Revenue, representing uncollected tax billings at June 30, 2012 (General Fund)	\$ 334,921	\$ -
Property Taxes Paid in Advance, representing property taxes not yet due, but paid by June 30, 2012 (General Fund)	-	103,496
Total deferred revenue for governmental funds	<u>\$ 334,921</u>	<u>\$ 103,496</u>

9. LONG-TERM DEBT

PRIMARY GOVERNMENT

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30	Governmental Activities					
	General Obligation Bonds		State Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,615,875	\$ 1,426,840	\$ 250,000	\$ 60,000	\$ 16,240	\$ 419
2014	1,490,369	1,358,736	250,000	52,500	-	-
2015	1,535,535	1,290,877	250,000	45,000	-	-
2016	1,591,401	1,216,996	250,000	37,500	-	-
2017	1,648,005	1,139,999	250,000	30,000	-	-
2018-2022	8,239,705	4,581,743	750,000	45,000	-	-
2023-2027	7,975,589	2,769,327	-	-	-	-
2028-2032	4,511,160	1,197,615	-	-	-	-
2033-2037	3,575,000	404,141	-	-	-	-
	<u>\$ 32,182,639</u>	<u>\$ 15,386,274</u>	<u>\$ 2,000,000</u>	<u>\$ 270,000</u>	<u>\$ 16,240</u>	<u>\$ 419</u>
Year Ending June 30	Business-Type Activities					
	General Obligation Bonds		Virginia Revolving Loans			
	Principal	Interest	Taxable G.O Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 345,000	\$ 700,027	\$ 274,161	\$ 151,184	\$ 1,540,988	\$ 91,313
2014	360,000	684,297	282,447	142,898	1,540,988	88,563
2015	375,000	667,062	290,984	134,361	1,545,988	85,984
2016	395,000	648,015	299,779	125,566	1,545,988	82,603
2017	415,000	629,075	308,840	116,505	1,550,988	78,244
2018-2022	2,350,000	2,871,109	1,689,992	436,733	7,829,940	319,703
2023-2027	2,900,000	2,327,717	1,961,305	165,419	7,964,939	172,269
2028-2032	3,445,000	1,607,523	-	-	5,035,690	16,515
2033-2037	3,600,000	765,000	-	-	-	-
2038-2042	830,000	41,500	-	-	-	-
	<u>\$ 15,015,000</u>	<u>\$ 10,941,325</u>	<u>\$ 5,107,508</u>	<u>\$ 1,272,666</u>	<u>\$ 28,555,509</u>	<u>\$ 935,194</u>

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

9. LONG-TERM DEBT (cont'd)

PRIMARY GOVERNMENT (cont'd)

Compensated absences are not included in the schedule reflecting annual requirements to amortize long-term obligations since it cannot be estimated when they will be paid.

Changes in Long-Term Debt

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2012:

Governmental Activities	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due within one year
General Obligation Bonds	\$ 30,191,923	\$ 3,519,100	\$ 1,528,384	\$ 32,182,639	\$ 1,615,875
Unamortized Bond Premium	458,650	-	46,712	411,938	44,338
State Literary Loans	2,250,000	-	250,000	2,000,000	250,000
Capital Leases	32,718	-	16,478	16,240	16,240
Liability for Landfill Closure	1,886,724	-	13,641	1,873,083	-
Net OPEB Obligation	388,876	34,547	-	423,423	-
Compensated Absences	592,776	80,838	25,611	648,003	26,000
Total Governmental Activities	\$ 35,801,667	\$ 3,634,485	\$ 1,880,826	\$ 37,555,326	\$ 1,952,453
Business-type Activities					
General Obligation Bonds	\$ 15,345,000	\$ -	\$ 330,000	\$ 15,015,000	\$ 345,000
Unamortized Bond Premium	226,960	-	15,712	211,248	15,185
VRA Loan - Taxable G.O. Bond	5,373,625	-	266,117	5,107,508	274,161
VRA Loan - Sewer Revenue Bond	30,091,497	-	1,535,988	28,555,509	1,540,988
Net OPEB Obligation	62,736	6,739	-	69,475	-
Compensated Absences	106,158	26,513	9,902	122,769	10,000
Total Business-type Activities	\$ 51,205,976	\$ 33,252	\$ 2,157,719	\$ 49,081,509	\$ 2,185,334
Primary Government Totals	\$ 87,007,643	\$ 3,667,737	\$ 4,038,545	\$ 86,636,835	\$ 4,137,787

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds, which totaled \$13,209 at June 30, 2012, are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Details of Long-Term Indebtedness

General Obligation Bonds:

\$4,341,667 General Obligation School Bonds – Series 2001A (Waynesboro High School), issued November 15, 2001, maturing annually through July 15, 2021, bearing interest from 3.10% to 5.35% payable semiannually.

Governmental	Business-type
\$ 2,310,863	\$ -

\$14,380,000 General Obligation Public Improvement Bonds – Series 2005 (City and Schools – Kate Collins Middle School), issued August 9, 2005, maturing annually through July 15, 2036, bearing interest at a 4.2849% fixed interest rate payable semiannually. The bonds are shown net of unamortized premium of \$46,969.

12,491,969	-
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\$17,080,000 General Obligation Public Improvement Bonds – Series 2007 (General, Water, Sewer) issued August 29, 2007, maturing annually through January 15, 2029, bearing interest from 4.0% to 5.0% payable semiannually. The bonds are shown net of unamortized premium of \$29,216 for governmental activities and unamortized premium of \$142,530 for business-type activities.

2,559,216	12,922,530
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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

9. LONG-TERM DEBT (cont'd)

PRIMARY GOVERNMENT (cont'd)

Details of Long-Term Indebtedness (cont'd)

General Obligation Bonds: (cont'd)

\$6,364,713 General Obligation School Bonds – Series 2007A (Kate Collins Middle School), issued November 8, 2007, maturing annually through July 15, 2027, bearing interest at a 5.10% fixed interest rate payable semiannually. The bonds are shown net of unamortized premium of \$219,941.

<u>Govern- mental</u>	<u>Business- type</u>
\$ 5,459,073	\$ -

\$5,870,000 General Obligation Public Improvement Bonds – Series 2008 (General) issued November 21, 2008, maturing annually through October 1, 2028, bearing interest from 3.125% to 5.201% payable semiannually. The bond is shown net of unamortized premium of \$102,620.

5,402,620	-
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\$1,370,000 General Obligation Public Improvement Bonds – Taxable Build America Bonds, Series 2010A (General, Sewer) issued December 7, 2010, maturing annually through 2031.

410,000	960,000
---------	---------

\$1,925,000 General Obligation Public Improvement Bonds – Tax-Exempt Series 2010B (General City and Schools – Westwood Hills Elementary, Sewer) issued December 7, 2010, maturing annually through 2031. The bond is shown net of unamortized premium of \$13,192 for governmental activities and unamortized premium of \$30,803 for business-type activities.

558,192	1,305,803
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\$3,519,000 General Obligation Public Improvement Bonds - Series 2011 (General) issued October 31, 2011, maturing with monthly installments of \$25,954.61 through October 28, 2026, bearing an interest rate of 3.96%.

<u>3,402,644</u>	<u>-</u>
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Total General Obligation Bonds

<u>32,594,577</u>	<u>15,188,333</u>
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State Literary Fund Loans:

\$5,000,000 Literary Fund Loan (Schools – Westwood Hills Elementary) issued April 28, 2000, due in annual installments of \$250,000 through June 1, 2020 with interest payable annually at 3%.

<u>2,000,000</u>	<u>-</u>
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Virginia Revolving Loans:

\$6,245,039 General Obligation Public Improvement Bonds – Series 2006A (Sewer) issued March 17, 2006, maturing annually through January 1, 2027, bearing interest at a 3.0% fixed interest rate payable semiannually.

-	5,107,508
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\$14,594,900 Sewer Revenue Bond – Series 2008 issued February 28, 2008, maturing semi-annually through January 1, 2031.

-	13,865,155
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\$2,125,000 Sewer Revenue Bond – Series 2008B issued November 21, 2008, maturing annually through October 1, 2028, bearing interest from 3.125% to 5.375% payable semiannually. The bond is shown net of an unamortized premium of \$37,915.

-	1,957,915
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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

9. LONG-TERM DEBT (cont'd)

PRIMARY GOVERNMENT (cont'd)

Details of Long-Term Indebtedness (cont'd)

Virginia Revolving Loans: (cont'd)

\$14,624,858 Sewer Revenue Bond – Series 2009 issued June 10, 2009, maturing semi-annually through December 1, 2030.

<u>Governmental</u>	<u>Business-type</u>
\$ -	\$ 12,770,354
-	33,700,932

Total Virginia Revolving Loans

Capital Leases:

\$32,718 capital lease dated April 21, 2011 for the purchase of a mower, due in annual installments of \$16,659, with an annual interest rate of 2.5803%.

16,240 -

Liability for Municipal Solid Waste Landfill Closure

1,873,083 -

Net OPEB Obligation

423,423 69,475

Compensated Absences

648,003 122,769

Total Primary Government Long-Term Debt

\$ 37,555,326 \$ 49,081,509

COMPONENT UNIT SCHOOL BOARD

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30	<u>Governmental Activities</u>	
	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 183,650	\$ 159,403
2014	193,682	149,371
2015	204,262	138,790
2016	215,420	127,632
2017	227,188	115,865
2018-2022	1,336,221	379,041
2023-2024	642,257	43,847
	<u>\$ 3,002,680</u>	<u>\$ 1,113,949</u>

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit School Board for the year ended June 30, 2012:

<u>Governmental Activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>	<u>Due within one year</u>
Capital Leases	\$ 3,176,817	-	\$ 174,137	\$ 3,002,680	\$ 183,650
Net OPEB Obligation	955,000	249,000	-	1,204,000	-
Compensated Absences	602,058	63,512	25,430	640,140	25,000
Total Governmental Activities	<u>\$ 4,733,875</u>	<u>\$ 312,512</u>	<u>\$ 199,567</u>	<u>\$ 4,846,820</u>	<u>\$ 208,650</u>

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

9. LONG-TERM DEBT (cont'd)

COMPONENT UNIT SCHOOL BOARD (cont'd)

Details of Long-Term Indebtedness

Capital Leases:

\$3,498,500 capital lease dated April 30, 2009 for an energy management project, due in semiannual installments of \$171,526, with an annual interest rate of 5.39%.

\$ 3,002,680

Net OPEB Obligation

1,204,000

Compensated Absences

640,140

Total Component Unit School Board Long-Term Debt

\$ 4,846,820

COMPONENT UNIT ECONOMIC DEVELOPMENT AUTHORITY

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30	Governmental Activities	
	Note Payable	
	Principal	Interest
2013	\$ 746,894	\$ 144,293
2014	777,324	113,863
2015	808,993	82,194
2016	841,957	49,230
2017	772,500	15,031
	<u>\$ 3,947,668</u>	<u>\$ 404,611</u>

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit Economic Development Authority for the year ended June 30, 2012:

Governmental Activities	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due within one year
Note Payable	\$ 4,931,825	-	\$ 984,157	\$ 3,947,668	\$ 746,894
Total Governmental Activities	\$ 4,931,825	\$ -	\$ 984,157	\$ 3,947,668	\$ 746,894

Details of Long-Term Indebtedness

Note Payable:

\$6,250,000 Note Payable – Series 2009 issued April 29, 2009 for an economic incentive grant. The principal balance at August 15, 2011, of \$4,829,957 was refinanced bearing a variable interest rate from 4% to 9%, maturing monthly through April 15, 2018.

\$ 3,947,668

Total Component Unit Economic Development Authority Long-Term Debt

\$ 3,947,668

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

10. CAPITAL LEASES

During fiscal year 2011, the City entered into a lease agreement as lessee for financing the acquisition of a mower. This lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the future minimum lease payments as of the lease inception date. The equipment has been recorded as a capital asset at a total cost of \$50,718, with \$32,718 of it being financed through this lease agreement. The asset has been classified as equipment and is being depreciated as discussed in Note 1.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 16,659
Less: amount representing interest	(419)
Present value of minimum lease payments	<u>\$ 16,240</u>

During fiscal year 2009, the Component Unit School Board entered into a lease agreement as lessee for financing an energy management project. This lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the future minimum lease payments as of the lease inception date. The asset has been recorded as a capital asset at a cumulative cost of \$3,498,500. The asset has been classified as building improvements and will be depreciated as discussed in Note 1.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 343,052
2014	343,052
2015	343,052
2016	343,052
2017	343,052
Thereafter	2,401,370
Total minimum lease payments	\$ 4,116,630
Less: amount representing interest	(1,113,950)
Present value of minimum lease payments	<u>\$ 3,002,680</u>

11. CONTINGENT LIABILITIES

Federal programs in which the City participates were audited in accordance with provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no material matters of noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests that may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The City is involved in litigation over taxes collected in fiscal year 2012. The City has estimated a possible refund of the stated taxes in the range of \$0 to \$1,050,000. The City is a defendant in other various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse affect on the financial condition of the government.

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments and Other Significant Commitments

In connection with the multi-purpose general obligation bonds issued in 2008, the City continued major renovations to its general government projects.

	<u>Governmental</u>
Estimated project costs financed	\$ 6,009,199
Costs incurred through 6-30-12	<u>(2,818,673)</u>
Estimated remaining costs	<u>\$ 3,190,526</u>

In connection with the multi-purpose general obligation bonds issued in 2010, the City continued major renovations to its general government projects.

	<u>Governmental</u>
Estimated project costs financed	\$ 976,000
Costs incurred through 6-30-12	<u>(642,419)</u>
Estimated remaining costs	<u>\$ 333,581</u>

In addition, the City has undertaken a non-binding obligation to appropriate amounts from its annual budget to fund the repayment of a \$6,250,000 revenue note issued by the Component Unit Economic Development Authority. The revenue note repayment terms are reported in Note 9.

The City has encumbered funds in the General Fund in the following categories, included in fund balance at June 30, 2012:

<u>Function</u>	<u>Restricted</u>	<u>Assigned</u>
General government administration	\$ -	\$ 68,353
Public safety	-	2,001
Public works	1,282,112	131,178
Parks, recreation and cultural	-	7,773
Community development	-	<u>54,455</u>
Total	<u>\$ 1,282,112</u>	<u>\$ 263,760</u>

Encumbrances in other funds at June 30, 2012, are as follows:

<u>Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	\$ 48,423
Capital Improvements Fund	1,111,030
Water Fund	125,719
Sewer Fund	119,980
Nonmajor Enterprise Funds	23,489
Internal Service Fund	<u>9,223</u>
Total	<u>\$ 1,437,864</u>

Component Unit Commitments - Economic Development Authority

During fiscal year 2011, the EDA entered into a performance agreement with a local business in connection with Governor's Opportunity Fund grants. If the business does not meet the terms of the performance agreement, they must repay the funds received related to the Governor's Opportunity Fund grant; failure by the business to repay this amount could result in either the City or the EDA being responsible for repaying these funds. At this time, the EDA and the City have no reason to believe the performance agreement terms will not be met.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

13. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Waynesboro contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, the City of Waynesboro School Board contributes to the VRS for both its professional and non-professional employees. All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for the City of Waynesboro – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2012 was 10.83% of annual covered payroll. The City School Board's contribution rate for the fiscal year ended June 30, 2012 was 8.37% of annual covered payroll of non-professional employees.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

13. DEFINED BENEFIT PENSION PLAN (cont'd)

The City School Board's required contributions to the teacher cost-sharing pool were \$1,043,343 for the year ended June 30, 2012, \$636,450 for the year ended June 30, 2011, and \$1,091,369 for the fiscal year ended June 30, 2010. In each year, the School Board contributed 100% of the required contributions.

Annual Pension Cost

For fiscal year 2012, the City's annual pension cost of \$1,279,264 was equal to the City's required and actual contributions. Also, for fiscal year 2012, the City School Board's annual pension cost of \$79,415 for its non-professional employees was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

Three Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>City</u>			
June 30, 2010	\$ 1,029,138	100%	\$ -
June 30, 2011	1,272,361	100%	-
June 30, 2012	1,279,264	100%	-
<u>City School Board (non-professional employees)</u>			
June 30, 2010	\$ 66,424	100%	\$ -
June 30, 2011	75,813	100%	-
June 30, 2012	79,415	100%	-

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the City's plan was 75.69% funded. The actuarial accrued liability for benefits was \$64,380,431 and the actuarial value of assets was \$48,730,132, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,650,299. The covered payroll (annual payroll of active employees covered by the plan) was \$11,560,027, and ratio of the UAAL to the covered payroll was 135.38%. As of June 30, 2011, the City School Board's plan for its non-professional employees was 80.19% funded. The actuarial accrued liability for benefits was \$3,497,919 and the actuarial value of assets was \$2,805,038, resulting in an unfunded actuarial accrued liability (UAAL) of \$692,881. The covered payroll (annual payroll of active employees covered by the plan) was \$923,098, and ratio of the UAAL to the covered payroll was 75.06%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2012. All claims are paid in full at the time of damage. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended desired levels.

The City is a participating member in the Virginia Municipal Group Self Insurance Association (VMGSIA) and the Component Unit School Board is a participating member in the School Systems of Virginia Self Insurance Program. The agreement for the formation of VMGSIA and the School Systems of Virginia Self Insurance Program provides that the risk pools will be self-sustaining through member premiums and will reinsure through commercial companies for excess claims. In addition, both of these entities provide workers' compensation coverage in compliance with the Virginia Workers' Compensation code.

15. SURETY BONDS

<u>Travelers Casualty and Surety Company of America – Surety</u>	
Treasurer	\$ 500,000
Commissioner of the Revenue	3,000
Clerk of the Circuit Court	103,000
Sheriff	30,000
<u>Selective Insurance Company of America – Surety</u>	
Treasurer	20,000
<u>The Netherlands Insurance Company – Surety</u>	
All School Board employees – Blanket Bond	100,000
<u>CNA Insurance Company – Surety</u>	
Superintendent/Agent of the School Board	10,000
Assistant Superintendent/Deputy Agent of the School Board	10,000
Clerk of the School Board	10,000
Deputy Clerk of the School Board	10,000
Staff Bookkeeper of the School Board	10,000
Payroll Bookkeeper of the School Board	10,000

16. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Cities of Waynesboro and Staunton and the County of Augusta share the costs of landfill operations on a site operated by the Augusta Regional Landfill. State and federal laws and regulations require the regional landfill to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City recognizes a portion of these closure and postclosure care costs as a component of its equity interest in the landfill joint venture. In fiscal year 2008, the City began postclosure care on the old City landfill site.

The \$1,873,083 reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date based on the estimated costs of postclosure care for the old City landfill. This amount is based on what it would cost to perform all closure and postclosure care from 2008 through 2012 based upon a DEQ-approved inflation rate. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The applicable laws and regulations require the City to select and meet one of several approved financial assurance mechanisms to demonstrate financial responsibility for closure and post-closure care costs described above. The City has selected the Financial Ratio Test method for this purpose, and has made the requisite filings with the Virginia Department of Environmental Quality.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

17. OTHER POSTEMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Plan Description

The City administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. In addition, retirees with 10 or more years of consecutive full-time service are eligible for cost sharing up to 60% of the purported rate (not including dependent coverage). The plan was established under the authority of the Waynesboro City Council.

Funding Policy

The City has elected to make an annual contribution equal to the Benefit Payments. This requires the use of an interest rate based on long term expected return on short term investments.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$237,000 for fiscal year 2012. The annual employer contributions for fiscal year 2012 were \$195,000.

The City has elected not to pre-fund OPEB liabilities. The funding policy of the City is to contribute to the plan the net claims paid during the year. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 237,000
Interest on net OPEB obligation	21,000
Adjustment to annual required contribution	<u>(21,000)</u>
Annual OPEB cost (expense)	237,000
Estimated Contributions made	<u>(195,000)</u>
Increase (decrease) in net OPEB obligation	42,000
Net OPEB obligation, beginning of year	464,000
Net OPEB obligation, end of year	<u>\$ 506,000</u>

Trend Information:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is shown as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2010	\$ 358,000	42.5%	\$ 400,000
June 30, 2011	232,000	72.4%	464,000
June 30, 2012	237,000	82.3%	506,000

Funded Status and Funding Progress:

As of July 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefit was \$2,720,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,720,000. For fiscal year 2010, the covered payroll (annual payroll of active employees covered by the plan) was \$10,091,000, and the ratio of the UAAL to the covered payroll was 26.95%.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

17. OTHER POSTEMPLOYMENT BENEFITS (cont'd)

PRIMARY GOVERNMENT (cont'd)

Funded Status and Funding Progress (cont'd)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2010 was 30 years.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse – Actual coverage status is used; females assumed 3 years younger than male spouse. 90% of actives currently enrolled in the City's health care plan, will continue in the plan upon retiring. 25% of the spouses are assumed to continue their coverage into retirement. 100% of actives who become disabled are assumed to continue their coverage.

Demographic Assumptions – Demographic assumptions mirror those used for the pension plan, with adjustments made for actual experience of City employees. All employees are assumed to participate in the State of Virginia Retirement System.

Economic Assumptions – Medical Per Capita costs, Average Costs and premiums are assumed to increase 9.50% for Pre-Medicare coverage and Medicare Supplement in 2011 and 2012. This rate decreases 1% per year until an ultimate rate of 5.0% is reached.

COMPONENT UNIT SCHOOL BOARD

Plan Description

The School Board administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. The plan was established under the authority of the Waynesboro City School Board.

Funding Policy

The School Board has elected to make an annual contribution equal to the Benefit Payments. This requires the use of an interest rate based on long term expected return on short term investments.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$719,000 for fiscal year 2012. The annual employer contributions for fiscal year 2012 were \$470,000.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

17. OTHER POSTEMPLOYMENT BENEFITS (cont'd)

COMPONENT UNIT SCHOOL BOARD (cont'd)

Annual OPEB Cost and Net OPEB Obligation (cont'd)

The School Board has elected not to pre-fund OPEB liabilities. The funding policy of the School Board is to contribute to the plan the net claims paid during the year. The School Board is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School Board's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 719,000
Interest on net OPEB obligation	43,000
Adjustment to annual required contribution	<u>(43,000)</u>
Annual OPEB cost (expense)	719,000
Estimated Contributions made	<u>(470,000)</u>
Increase (decrease) in net OPEB obligation	249,000
Net OPEB obligation, beginning of year	955,000
Net OPEB obligation, end of year	<u>\$ 1,204,000</u>

Trend Information:

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is shown as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2010	\$ 707,000	49.5%	\$ 717,000
June 30, 2011	688,000	65.4%	955,000
June 30, 2012	719,000	65.4%	1,204,000

Funded Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefit was \$5,865,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,865,000. For the fiscal year ended June 30, 2009, the covered payroll (annual payroll of active employees covered by the plan) was \$16,817,000, and the ratio of the UAAL to the covered payroll was 34.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2012

17. OTHER POSTEMPLOYMENT BENEFITS (cont'd)

COMPONENT UNIT SCHOOL BOARD (cont'd)

Actuarial Methods and Assumptions: (cont'd)

In the July 1, 2009 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2009 was 30 years.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse – Actual coverage status is used; females assumed 3 years younger than male spouse. 90% of actives currently enrolled in the School Board's health care plan, will continue in the plan upon retiring. 25% of the spouses are assumed to continue their coverage into retirement. 100% of actives who become disabled are assumed to continue their coverage.

Demographic Assumptions – Demographic assumptions mirror those used for the pension plan, with adjustments made for actual experience of School Board employees. All employees are assumed to participate in the State of Virginia Retirement System.

Economic Assumptions – Medical Per Capita costs, Average Costs and premiums are assumed to increase 8.00% for Pre-Medicare coverage and Medicare Supplement in 2009. This rate decreases 1% per year until an ultimate rate of 5.0% is reached.

18. NOTES RECEIVABLE

The Component Unit, Economic Development Authority, reports a note receivable related to revolving notes entered into with two local businesses. These notes were the result of USDA Rural Development grant funds received by the EDA to encourage small business growth in the City. The EDA matched the grant funds received from the USDA at 10% of each note. The revolving notes will be paid back to the EDA over three years with an annual interest rate of 3%. At June 30, 2012, the outstanding balance of the notes was \$23,225.

19. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following statements which will be effective for the year ended June 30, 2013. Management has not yet evaluated the effects, if any, of adopting these standards:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, provides guidance on service concession arrangements, which are a type of public-private or public-public partnerships. This statement discusses recognition, measurement, and disclosure requirements related to these type of arrangements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - and amendment of GASB Statements No. 14 and No. 34*, provides guidance on the inclusion of component units in the financial reporting entity.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate certain reporting guidance from FASB pronouncements issued on or before November 30, 1989 into GASB's authoritative literature.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources and Net Position*, provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and their effects on a government's net position.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of FASB Statement No. 53*, provides guidance on when a hedging relationship continues or is terminated, and the hedge accounting that should be applied when the relationship continues.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WAYNESBORO, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

CITY						Exhibit 12
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	49,224,675	58,717,476	9,492,801	83.83%	12,870,214	73.76%
June 30, 2010	48,728,800	61,720,788	12,991,988	78.95%	12,466,997	104.21%
June 30, 2011	48,730,132	64,380,431	15,650,299	75.69%	11,560,027	135.38%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL)

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	2,820,476	3,236,510	416,034	87.15%	1,051,548	39.56%
June 30, 2010	2,785,601	3,480,318	694,717	80.04%	920,536	75.47%
June 30, 2011	2,805,038	3,497,919	692,881	80.19%	923,098	75.06%

CITY POST-EMPLOYMENT BENEFITS PLAN

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2009	\$ -	\$ 3,812,000	\$ 3,812,000	0.00%	\$ 13,036,900	29.24%
July 1, 2010	-	2,720,000	2,720,000	0.00%	10,091,000	26.95%

SCHOOL BOARD COMPONENT UNIT POST-EMPLOYMENT BENEFITS PLAN

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ -	\$ 5,490,000	\$ 5,490,000	0.00%	\$ 11,525,000	47.64%
July 1, 2009	-	5,865,000	5,865,000	0.00%	16,817,000	34.88%

***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS**SPECIAL REVENUE FUNDS**

Virginia Public Assistance Fund – to account for the provision of health and welfare services. Financing is provided by state and federal funds, which may be used only for this purpose.

Comprehensive Services Act Fund – to account for the provisions of special services to youth and families required by the Comprehensive Services Act. Financing is provided by state funds, which may be used only for this purpose.

Youth and Family Services Fund – to account for the provision of youth programs and services to local youth and families. Financing is provided by state and federal funds, related local matching funds, and other revenues.

Community Action Partnership of Staunton, Augusta and Waynesboro – to account for funds received and disbursed for the operations of the Community Action Partnership of Staunton, Augusta, and Waynesboro.

Regional Kennel Fund – to account for funds received and disbursed related to the operations of the regional kennel provided for residents of Staunton City, Waynesboro City, and Augusta County.

DEBT SERVICE FUNDS

Debt Revenue Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related charges.

PERMANENT FUNDS

Cemetery Care Fund – to account for principal trust amounts received for the perpetual care of cemetery plots.

**CITY OF WAYNESBORO, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

	Special Revenue			
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Youth and Family Services Fund	Community Action Partnership of Staunton, Augusta & Waynesboro Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 130,121	\$ 49,784
Accounts receivable	-	-	29,833	-
Due from other governments	76,238	134,868	74,126	37,536
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 76,238</u>	<u>\$ 134,868</u>	<u>\$ 234,080</u>	<u>\$ 87,320</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	87,175	12,596	51,196
Accrued payroll	-	-	11,623	-
Due to other funds	<u>76,238</u>	<u>47,693</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>76,238</u>	<u>134,868</u>	<u>24,219</u>	<u>51,196</u>
Fund Balances:				
Nonspendable:				
Permanent fund principal	-	-	-	-
Restricted for:				
Regional kennel	-	-	-	-
Assigned to:				
Youth and family services	-	-	209,861	-
Debt service	-	-	-	-
CAPSAW	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,124</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>209,861</u>	<u>36,124</u>
Total liabilities and fund balances	<u>\$ 76,238</u>	<u>\$ 134,868</u>	<u>\$ 234,080</u>	<u>\$ 87,320</u>

Exhibit 13

Regional Kennel Fund	Total	Debt Service Debt Revenue Fund	Permanent Cemetery Care Fund	Total Nonmajor Governmental Funds
\$ 2,350	\$ 182,255	\$ 306,182	\$ -	\$ 488,437
86,320	116,153	-	-	116,153
-	322,768	-	-	322,768
-	-	-	522,799	522,799
<u>\$ 88,670</u>	<u>\$ 621,176</u>	<u>\$ 306,182</u>	<u>\$ 522,799</u>	<u>\$ 1,450,157</u>
11,776	162,743	-	-	162,743
2,890	14,513	-	-	14,513
58,964	182,895	-	-	182,895
<u>73,630</u>	<u>360,151</u>	<u>-</u>	<u>-</u>	<u>360,151</u>
-	-	-	522,799	522,799
15,040	15,040	-	-	15,040
-	209,861	-	-	209,861
-	-	306,182	-	306,182
-	36,124	-	-	36,124
<u>15,040</u>	<u>261,025</u>	<u>306,182</u>	<u>522,799</u>	<u>1,090,006</u>
<u>\$ 88,670</u>	<u>\$ 621,176</u>	<u>\$ 306,182</u>	<u>\$ 522,799</u>	<u>\$ 1,450,157</u>

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Special Revenue			
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Youth and Family Services Fund	Community Action Partnership of Staunton, Augusta & Waynesboro Fund
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 1,494	\$ 367
Charges for services	-	-	-	-
Miscellaneous	-	-	99,490	5,645
Recovered costs	-	-	270,511	69,765
Intergovernmental:				
Local - School Board	-	-	-	-
Commonwealth	658,088	829,140	126,394	-
Federal	507,060	-	332,258	170,688
Total revenues	1,165,148	829,140	830,147	246,465
EXPENDITURES				
Current:				
Public safety	-	-	985,822	-
Health and welfare	1,718,683	1,279,233	70,186	228,760
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,718,683	1,279,233	1,056,008	228,760
Excess (deficiency) of revenues over (under) expenditures	(553,535)	(450,093)	(225,861)	17,705
OTHER FINANCING SOURCES (USES)				
Transfers in	553,535	450,093	145,000	-
Transfers out	-	-	-	-
Total other financing sources and uses	553,535	450,093	145,000	-
Net change in fund balances	-	-	(80,861)	17,705
Fund balance - beginning (as adjusted)	-	-	290,722	18,419
Fund balance - ending	\$ -	\$ -	\$ 209,861	\$ 36,124

Exhibit 14

Regional Kennel Fund	Total	Debt Service Debt Revenue Fund	Permanent Cemetery Care Fund	Total Nonmajor Governmental Funds
\$ 1	\$ 1,862	\$ -	\$ 3,909	\$ 5,771
11,680	11,680	-	-	11,680
3,358	108,493	-	12,250	120,743
377,355	717,631	-	-	717,631
-	-	200,000	-	200,000
-	1,613,622	-	-	1,613,622
-	1,010,006	-	-	1,010,006
392,394	3,463,294	200,000	16,159	3,679,453
377,354	1,363,176	-	-	1,363,176
-	3,296,862	-	-	3,296,862
-	-	563,609	-	563,609
-	-	803,160	-	803,160
377,354	4,660,038	1,366,769	-	6,026,807
15,040	(1,196,744)	(1,166,769)	16,159	(2,347,354)
-	1,148,628	1,198,943	-	2,347,571
-	-	-	(3,909)	(3,909)
-	1,148,628	1,198,943	(3,909)	2,343,662
15,040	(48,116)	32,174	12,250	(3,692)
-	309,141	274,008	510,549	1,093,698
\$ 15,040	\$ 261,025	\$ 306,182	\$ 522,799	\$ 1,090,006

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

	Virginia Public Assistance Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	985,327	985,327	658,088	(327,239)
Federal	839,352	839,352	507,060	(332,292)
Total revenues	1,824,679	1,824,679	1,165,148	(659,531)
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Health and welfare	2,399,000	2,399,000	1,718,683	680,317
Total expenditures	2,399,000	2,399,000	1,718,683	680,317
Excess (deficiency) of revenues over (under) expenditures	(574,321)	(574,321)	(553,535)	20,786
OTHER FINANCING SOURCES (USES)				
Transfers in	574,321	574,321	553,535	(20,786)
Total other financing sources and uses	574,321	574,321	553,535	(20,786)
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

Exhibit 15

Comprehensive Services Act Fund				Youth and Family Services Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,494	\$ 1,494
-	-	-	-	90,875	111,250	99,490	(11,760)
-	-	-	-	277,200	277,200	270,511	(6,689)
745,079	745,079	829,140	84,061	108,339	117,347	126,394	9,047
-	-	-	-	281,120	462,296	332,258	(130,038)
745,079	745,079	829,140	84,061	757,534	968,093	830,147	(137,946)
-	-	-	-	913,325	1,174,240	985,822	188,418
1,300,000	1,300,000	1,279,233	20,767	69,605	78,605	70,186	8,419
1,300,000	1,300,000	1,279,233	20,767	982,930	1,252,845	1,056,008	196,837
(554,921)	(554,921)	(450,093)	104,828	(225,396)	(284,752)	(225,861)	58,891
554,921	554,921	450,093	(104,828)	145,000	145,000	145,000	-
554,921	554,921	450,093	(104,828)	145,000	145,000	145,000	-
-	-	-	-	(80,396)	(139,752)	(80,861)	58,891
-	-	-	-	80,396	139,752	290,722	150,970
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209,861	\$ 209,861

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUNDS
For the Year Ended June 30, 2012

Exhibit 16

	Debt Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Intergovernmental:				
Local - School Board	\$ -	\$ -	\$ 200,000	\$ 200,000
Total revenues	-	-	200,000	200,000
EXPENDITURES				
Debt Service:				
Principal retirement	563,609	563,609	563,609	-
Interest and fiscal charges	803,161	803,161	803,160	1
Total expenditures	1,366,770	1,366,770	1,366,769	1
Excess (deficiency) of revenues over (under) expenditures	(1,366,770)	(1,366,770)	(1,166,769)	200,001
OTHER FINANCING SOURCES (USES)				
Transfers in	996,770	1,198,943	1,198,943	-
Total other financing sources and uses	996,770	1,198,943	1,198,943	-
Net change in fund balances	(370,000)	(167,827)	32,174	200,001
Fund balance - beginning	370,000	167,827	274,008	106,181
Fund balance - ending	\$ -	\$ -	\$ 306,182	\$ 306,182

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2012

Exhibit 17

	Capital Improvements Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 11,495	\$ 11,495
Miscellaneous	-	-	221,552	221,552
Intergovernmental:				
Commonwealth	-	-	22,000	22,000
Federal	-	348,978	655,869	306,891
Total revenues	-	348,978	910,916	561,938
EXPENDITURES				
Current:				
Public works	-	1,150,268	1,482,790	(332,522)
Parks, recreation, and cultural	-	36,989	39,892	(2,903)
Capital projects	-	4,606,896	4,960,867	(353,971)
Total expenditures	-	5,794,153	6,483,549	(689,396)
Excess (deficiency) of revenues over (under) expenditures	-	(5,445,175)	(5,572,633)	(127,458)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	3,502,350	3,502,350	-
Transfers in	-	148,902	148,902	-
Transfers out	-	(316,969)	(316,969)	-
Total other financing sources and uses	-	3,334,283	3,334,283	-
Net change in fund balances	-	(2,110,892)	(2,238,350)	(127,458)
Fund balance - beginning	-	2,110,892	6,527,648	4,416,756
Fund balance - ending	\$ -	\$ -	\$ 4,289,298	\$ 4,289,298

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NONMAJOR ENTERPRISE FUNDS

Garbage Fund – to account for the provision of garbage collection services to city residents. Financing is provided by garbage collection charges received from customers.

Augusta County Service Authority (ACSA) Joint Landfill Fund – to account for the City's interest in the Augusta Regional Landfill. Financing is provided by the City's share of landfill charges collected from customers.

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012

			Exhibit 18
	Garbage Fund	ACSA Joint Landfill Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 526,024	\$ 430,481	\$ 956,505
Accounts receivable (net of allowance for uncollectibles)	198,671	77,646	276,317
Total current assets	<u>724,695</u>	<u>508,127</u>	<u>1,232,822</u>
Noncurrent assets:			
Equity interest in joint venture	-	2,780,769	2,780,769
Capital assets:			
Buildings	113,453	-	113,453
Machinery and equipment	1,118,975	-	1,118,975
Less accumulated depreciation	(810,369)	-	(810,369)
Total capital assets (net of accumulated depreciation)	<u>422,059</u>	<u>-</u>	<u>422,059</u>
Total noncurrent assets	<u>422,059</u>	<u>2,780,769</u>	<u>3,202,828</u>
Total assets	<u>1,146,754</u>	<u>3,288,896</u>	<u>4,435,650</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,937	126,391	128,328
Accrued payroll	10,956	-	10,956
Deposits payable	1,020	-	1,020
Total current liabilities	<u>13,913</u>	<u>126,391</u>	<u>140,304</u>
Noncurrent liabilities:			
Compensated absences	28,195	-	28,195
Net OPEB obligation	15,659	-	15,659
Total noncurrent liabilities	<u>43,854</u>	<u>-</u>	<u>43,854</u>
Total liabilities	<u>57,767</u>	<u>126,391</u>	<u>184,158</u>
NET ASSETS			
Invested in capital assets, net of related debt	422,059	-	422,059
Unrestricted	666,928	3,162,505	3,829,433
Total net assets	<u>\$ 1,088,987</u>	<u>\$ 3,162,505</u>	<u>\$ 4,251,492</u>

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2012

Exhibit 19

	Garbage Fund	ACSA Joint Landfill Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 1,126,637	\$ 670,726	\$ 1,797,363
Miscellaneous	17,732	2,824	20,556
Total operating revenues	<u>1,144,369</u>	<u>673,550</u>	<u>1,817,919</u>
OPERATING EXPENSES			
Personal services	654,951	-	654,951
Contractual services	18,551	414,018	432,569
Other supplies and expenses	157,324	-	157,324
Depreciation	64,929	-	64,929
Total operating expenses	<u>895,755</u>	<u>414,018</u>	<u>1,309,773</u>
Operating income (loss)	<u>248,614</u>	<u>259,532</u>	<u>508,146</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental:			
Commonwealth	5,000	-	5,000
Interest income	3,124	2,908	6,032
Gain (loss) on equity interest	-	(152,793)	(152,793)
Total nonoperating revenues (expenses)	<u>8,124</u>	<u>(149,885)</u>	<u>(141,761)</u>
Income before contributions and transfers	<u>256,738</u>	<u>109,647</u>	<u>366,385</u>
Transfers out	<u>(109,000)</u>	<u>-</u>	<u>(109,000)</u>
Change in net assets	147,738	109,647	257,385
Total net assets - beginning	<u>941,249</u>	<u>3,052,858</u>	<u>3,994,107</u>
Total net assets - ending	<u>\$ 1,088,987</u>	<u>\$ 3,162,505</u>	<u>\$ 4,251,492</u>

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2012

	Exhibit 20		
	Garbage Fund	ACSA Joint Landfill Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 1,127,658	\$ 676,229	\$ 1,803,887
Cash paid to suppliers	(175,426)	(414,557)	(589,983)
Cash paid to employees	(668,087)	-	(668,087)
Other receipts (payments)	17,732	2,824	20,556
Net cash provided (used) by operating activities	<u>301,877</u>	<u>264,496</u>	<u>566,373</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Subsidy from state grant	5,000	-	5,000
Transfer to other funds	(134,184)	-	(134,184)
Net cash provided (used) by noncapital financing activities	<u>(129,184)</u>	<u>-</u>	<u>(129,184)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	3,124	2,908	6,032
Cash paid to joint venture	-	(150,121)	(150,121)
Net cash provided by investing activities	<u>3,124</u>	<u>(147,213)</u>	<u>(144,089)</u>
Net increase (decrease) in cash and cash equivalents	175,817	117,283	293,100
Cash and cash equivalents - beginning of year	<u>350,207</u>	<u>313,198</u>	<u>663,405</u>
Cash and cash equivalents - end of year	<u>\$ 526,024</u>	<u>\$ 430,481</u>	<u>\$ 956,505</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 248,614	\$ 259,532	\$ 508,146
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	64,929	-	64,929
(Increase) decrease in accounts receivable	1,081	5,503	6,584
Increase (decrease) in accounts payable	449	(539)	(90)
Increase (decrease) in accrued payroll	(19,373)	-	(19,373)
Increase (decrease) in net OPEB obligation	1,355	-	1,355
Increase (decrease) in deposits payable	(60)	-	(60)
Increase (decrease) in compensated absences	4,882	-	4,882
Total Adjustments	<u>53,263</u>	<u>4,964</u>	<u>58,227</u>
Net cash provided (used) by operating activities	<u>\$ 301,877</u>	<u>\$ 264,496</u>	<u>\$ 566,373</u>

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

FIDUCIARY FUNDS**AGENCY FUNDS**

Payroll Fringes Fund – to account for funds withheld and payment of funds for payroll withholding taxes for all City employees.

Special Welfare Fund – to account for the receipt and payment of funds collected by the City on behalf of certain social service clients.

Shenandoah Valley Police Academy – to account for funds received and disbursed for the payroll costs of the Shenandoah Valley Police Academy.

First Aid Crew – to account for funds received and disbursed for supplies and utilities to benefit the Waynesboro First Aid Crew.

CITY OF WAYNESBORO, VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 June 30, 2012

Exhibit 21

	Payroll Fringes Fund	Special Welfare Fund	Shenandoah Valley Police Academy Fund	First Aid Crew Fund	Total
ASSETS					
Cash and cash equivalents	\$ 453,836	\$ 18,744	\$ -	\$ -	\$ 472,580
Accounts receivable	414	-	39,502	9,569	49,485
Due from other governments	-	-	13,102	-	13,102
Total assets	<u>\$ 454,250</u>	<u>\$ 18,744</u>	<u>\$ 52,604</u>	<u>\$ 9,569</u>	<u>\$ 535,167</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 947	\$ 947
Accrued payroll	-	-	6,012	-	6,012
Payroll taxes and fringes payable	454,250	-	-	-	454,250
Due to external parties	-	-	33,490	8,622	42,112
Net OPEB obligation	-	-	13,102	-	13,102
Amounts held for social service clients	-	18,744	-	-	18,744
Total liabilities	<u>\$ 454,250</u>	<u>\$ 18,744</u>	<u>\$ 52,604</u>	<u>\$ 9,569</u>	<u>\$ 535,167</u>

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2012

				Exhibit 22
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Payroll Fringes Fund				
Assets:				
Cash and cash equivalents	\$ 266,621	\$ 9,922,581	\$ 9,735,366	\$ 453,836
Accounts receivable	555	10,765	10,906	414
Total assets	<u>\$ 267,176</u>	<u>\$ 9,933,346</u>	<u>\$ 9,746,272</u>	<u>\$ 454,250</u>
Liabilities:				
Payroll taxes and fringes payable	\$ 267,176	\$ 9,968,539	\$ 9,781,465	\$ 454,250
Total liabilities	<u>\$ 267,176</u>	<u>\$ 9,968,539</u>	<u>\$ 9,781,465</u>	<u>\$ 454,250</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 18,986	\$ 49,929	\$ 50,171	\$ 18,744
Total assets	<u>\$ 18,986</u>	<u>\$ 49,929</u>	<u>\$ 50,171</u>	<u>\$ 18,744</u>
Liabilities:				
Amounts held for social services clients	\$ 18,986	\$ 49,929	\$ 50,171	\$ 18,744
Total liabilities	<u>\$ 18,986</u>	<u>\$ 49,929</u>	<u>\$ 50,171</u>	<u>\$ 18,744</u>
Shenandoah Valley Police Academy Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 298,271	\$ 298,271	\$ -
Accounts receivable	29,062	337,733	327,293	39,502
Due from other governments	12,388	714	-	13,102
Total assets	<u>\$ 41,450</u>	<u>\$ 636,718</u>	<u>\$ 625,564</u>	<u>\$ 52,604</u>
Liabilities:				
Accounts payable	\$ 1,788	\$ -	\$ 1,788	\$ -
Accrued payroll	11,419	6,012	11,419	6,012
Due to external parties	15,855	17,635	-	33,490
Net OPEB obligation	12,388	714	-	13,102
Total liabilities	<u>\$ 41,450</u>	<u>\$ 24,361</u>	<u>\$ 13,207</u>	<u>\$ 52,604</u>
First Aid Crew Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 43,439	\$ 43,439	\$ -
Accounts receivable	19,344	39,968	49,743	9,569
Total assets	<u>\$ 19,344</u>	<u>\$ 83,407</u>	<u>\$ 93,182</u>	<u>\$ 9,569</u>
Liabilities:				
Accounts payable	\$ 713	\$ 33,663	\$ 33,429	\$ 947
Due to external parties	18,631	7,791	17,800	8,622
Amounts held for first aid crew	-	41,953	41,953	-
Total liabilities	<u>\$ 19,344</u>	<u>\$ 83,407</u>	<u>\$ 93,182</u>	<u>\$ 9,569</u>
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 285,607	\$ 10,314,220	\$ 10,127,247	\$ 472,580
Accounts receivable	48,961	388,466	387,942	49,485
Due from other governments	12,388	714	-	13,102
Total assets	<u>\$ 346,956</u>	<u>\$ 10,703,400</u>	<u>\$ 10,515,189</u>	<u>\$ 535,167</u>
Liabilities:				
Accounts payable	\$ 2,501	\$ 33,663	\$ 35,217	\$ 947
Accrued payroll	11,419	6,012	11,419	6,012
Payroll taxes and fringes payable	267,176	9,968,539	9,781,465	454,250
Due to external parties	34,486	25,426	17,800	42,112
Net OPEB obligation	12,388	714	-	13,102
Amounts held for social services clients	18,986	49,929	50,171	18,744
Amounts held for the first aid crew	-	41,953	41,953	-
Total liabilities	<u>\$ 346,956</u>	<u>\$ 10,126,236</u>	<u>\$ 9,938,025</u>	<u>\$ 535,167</u>

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**MAJOR GOVERNMENTAL FUNDS****SPECIAL REVENUE FUNDS**

School Operating Fund – to account for the operations and maintenance of the six city-owned schools. Financing is provided by state and federal funds, and by appropriations from the City's general revenues. State and federal education funds received may be used only for this purpose.

School Textbook Fund – to account for the purchase and sale of school textbooks. Financing is provided primarily by the transfer of funds from the School Fund and funds so received are limited by the School Board to expenditure only for school textbooks.

NONMAJOR GOVERNMENTAL FUNDS**SPECIAL REVENUE FUNDS**

School Cafeteria Fund – to account for the operation and maintenance of the cafeterias of the six City-owned schools. Financing is provided primarily from charges for services and federal and state lunch subsidies. Such funds are limited by federal and state law to expenditures for cafeteria operations and maintenance.

CAPITAL PROJECTS FUNDS

School Construction Fund – to account for the financing and construction of school capital projects. Currently, financing is provided by bond proceeds. Expenditures are for the construction of school facilities.

FIDUCIARY FUNDS**PRIVATE-PURPOSE TRUST FUNDS**

Kimler Fund – to account for donations received for the purpose of funding scholarships.

AGENCY FUNDS

School Payroll Fringes Fund – to account for funds withheld and payment of funds for payroll withholding taxes for all school employees.

CITY OF WAYNESBORO, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
June 30, 2012

				Exhibit 23
	School Operating Fund	School Textbook Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,225,538	\$ 785,747	\$ 300,395	\$ 3,311,680
Accounts receivable	49,238	-	5,116	54,354
Due from other governments	1,092,192	-	11,759	1,103,951
Prepaid items	96,726	-	-	96,726
Total assets	<u>\$ 3,463,694</u>	<u>\$ 785,747</u>	<u>\$ 317,270</u>	<u>\$ 4,566,711</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	25,171	-	8,285	33,456
Accrued payroll	3,184,480	-	85,466	3,269,946
Due to primary government	-	-	216,151	216,151
Total liabilities	<u>3,209,651</u>	<u>-</u>	<u>309,902</u>	<u>3,519,553</u>
Fund balances:				
Nonspendable:				
Prepaid items	96,726	-	-	96,726
Committed to:				
Education	254,043	-	-	254,043
Assigned to:				
Education	-	785,747	203,416	989,163
Unassigned:	<u>(96,726)</u>	<u>-</u>	<u>(196,048)</u>	<u>(292,774)</u>
Total fund balances	<u>254,043</u>	<u>785,747</u>	<u>7,368</u>	<u>1,047,158</u>
Total liabilities and fund balances	<u>\$ 3,463,694</u>	<u>\$ 785,747</u>	<u>\$ 317,270</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,794,163
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,874,244)</u>
Net assets of governmental activities	<u>\$ 37,967,077</u>

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Exhibit 24			
	School Operating Fund	School Textbook Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Revenue from use of money and property	\$ 36,209	\$ -	\$ -	\$ 36,209
Charges for services	114,459	-	294,715	409,174
Miscellaneous	122,172	301	9,071	131,544
Recovered costs	150,587	-	-	150,587
Intergovernmental:				
Local	12,444,330	-	-	12,444,330
Commonwealth	14,720,702	-	26,359	14,747,061
Federal	2,752,538	-	994,307	3,746,845
Total revenues	<u>30,340,997</u>	<u>301</u>	<u>1,324,452</u>	<u>31,665,750</u>
EXPENDITURES				
Current:				
Education	29,405,350	116,514	1,298,670	30,820,534
Payment to the City	200,000	-	-	200,000
Capital projects	122,881	-	-	122,881
Debt Service:				
Principal retirement	174,137	-	-	174,137
Interest and fiscal charges	168,915	-	-	168,915
Total expenditures	<u>30,071,283</u>	<u>116,514</u>	<u>1,298,670</u>	<u>31,486,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>269,714</u>	<u>(116,213)</u>	<u>25,782</u>	<u>179,283</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	57,712	125,253	-	182,965
Transfers out	<u>(125,253)</u>	<u>(57,712)</u>	<u>-</u>	<u>(182,965)</u>
Total other financing sources and uses	<u>(67,541)</u>	<u>67,541</u>	<u>-</u>	<u>-</u>
Net change in fund balances	202,173	(48,672)	25,782	179,283
Fund balance (deficit) - beginning	<u>51,870</u>	<u>834,419</u>	<u>(18,414)</u>	
Fund balance - ending	<u>\$ 254,043</u>	<u>\$ 785,747</u>	<u>\$ 7,368</u>	

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (1,275,431) exceeded capital outlays (151,413) in the current period. (1,124,018)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 174,137

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. (285,492)

Change in net assets of governmental activities \$ (1,056,090)

CITY OF WAYNESBORO, VIRGINIA
 STATEMENT OF FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FIDUCIARY FUNDS
 June 30, 2012

		Exhibit 25
	Private- Purpose Trust Kimler	Agency School Payroll Fringes
ASSETS		
Cash and cash equivalents	\$ -	\$ 432,320
Accounts receivable	-	24
Restricted assets:		
Cash and cash equivalents	13,384	-
Total assets	<u>13,384</u>	<u>\$ 432,344</u>
LIABILITIES		
Payroll taxes and fringes payable	-	432,344
Total liabilities	<u>-</u>	<u>\$ 432,344</u>
NET ASSETS		
Held in trust for other educational purposes	<u>\$ 13,384</u>	

CITY OF WAYNESBORO, VIRGINIA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2012

	Exhibit 26
	Private- Purpose Trust Kimler
ADDITIONS	
Investment earnings:	
Interest	\$ 160
Total additions	<u>160</u>
DEDUCTIONS	
Education expenses	<u>30</u>
Total deductions	<u>30</u>
Change in net assets	130
Net assets - beginning	<u>13,254</u>
Net assets - ending	<u>\$ 13,384</u>

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

	School Operating Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 14,300	\$ 14,300	\$ 36,209	\$ 21,909
Charges for services	83,700	83,700	114,459	30,759
Miscellaneous	88,100	88,100	122,172	34,072
Recovered costs	91,000	100,608	150,587	49,979
Intergovernmental:				
Local	12,324,555	12,526,728	12,444,330	(82,398)
Commonwealth	14,796,580	14,803,150	14,720,702	(82,448)
Federal	2,775,692	2,888,060	2,752,538	(135,522)
Total revenues	30,173,927	30,504,646	30,340,997	(163,649)
EXPENDITURES				
Current:				
Education	29,704,732	29,833,278	29,405,350	427,928
Payment to the City	-	-	200,000	(200,000)
Capital Projects	-	-	122,881	(122,881)
Debt service:				
Principal retirement	174,137	174,137	174,137	-
Interest and fiscal charges	168,917	168,917	168,915	2
Total expenditures	30,047,786	30,176,332	30,071,283	105,049
Excess (deficiency) of revenues over (under) expenditures	126,141	328,314	269,714	(58,600)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	57,712	57,712
Transfers out	(126,141)	(328,314)	(125,253)	203,061
Total other financing sources and uses	(126,141)	(328,314)	(67,541)	260,773
Net change in fund balances	-	-	202,173	202,173
Fund balance - beginning	-	-	51,870	51,870
Fund balance - ending	\$ -	\$ -	\$ 254,043	\$ 254,043

Exhibit 27

School Textbook Fund			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	301	301
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	301	301
126,141	126,141	116,514	9,627
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
126,141	126,141	116,514	9,627
(126,141)	(126,141)	(116,213)	9,928
126,141	126,141	125,253	(888)
-	-	(57,712)	(57,712)
126,141	126,141	67,541	(58,600)
-	-	(48,672)	(48,672)
-	-	834,419	834,419
\$ -	\$ -	\$ 785,747	\$ 785,747

CITY OF WAYNESBORO, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

Exhibit 28

	Special Revenue School Cafeteria Fund	Capital Projects School Construction Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 280,292	\$ 20,103	\$ 300,395
Accounts receivable	5,116	-	5,116
Due from other governments	11,759	-	11,759
Total assets	<u>\$ 297,167</u>	<u>\$ 20,103</u>	<u>\$ 317,270</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	8,285	-	8,285
Accrued payroll	85,466	-	85,466
Due to primary government	-	216,151	216,151
Total liabilities	<u>93,751</u>	<u>216,151</u>	<u>309,902</u>
Fund balances (deficits):			
Assigned to:			
Education	203,416	-	203,416
Unassigned:	-	(196,048)	(196,048)
Total fund balances (deficits)	<u>203,416</u>	<u>(196,048)</u>	<u>7,368</u>
Total liabilities and fund balances	<u>\$ 297,167</u>	<u>\$ 20,103</u>	<u>\$ 317,270</u>

CITY OF WAYNESBORO, VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

Exhibit 29

	Special Revenue School Cafeteria Fund	Capital Projects School Construction Fund	Total Nonmajor Governmental Funds
REVENUES			
Charges for services	\$ 294,715	\$ -	\$ 294,715
Miscellaneous	9,071	-	9,071
Intergovernmental:			
Commonwealth	26,359	-	26,359
Federal	994,307	-	994,307
Total revenues	<u>1,324,452</u>	<u>-</u>	<u>1,324,452</u>
EXPENDITURES			
Current:			
Education	1,298,670	-	1,298,670
Total expenditures	<u>1,298,670</u>	<u>-</u>	<u>1,298,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,782</u>	<u>-</u>	<u>25,782</u>
Net change in fund balances	25,782	-	25,782
Fund balance - beginning	<u>177,634</u>	<u>(196,048)</u>	<u>(18,414)</u>
Fund balance - ending	<u>\$ 203,416</u>	<u>\$ (196,048)</u>	<u>\$ 7,368</u>

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

Exhibit 30

School Cafeteria Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 315,358	\$ 317,358	\$ 294,715	\$ (22,643)
Miscellaneous	7,013	7,013	9,071	2,058
Intergovernmental:				
Commonwealth	24,797	24,797	26,359	1,562
Federal	932,928	987,934	994,307	6,373
Total revenues	<u>1,280,096</u>	<u>1,337,102</u>	<u>1,324,452</u>	<u>(12,650)</u>
EXPENDITURES				
Current:				
Education	<u>1,280,096</u>	<u>1,337,102</u>	<u>1,298,670</u>	<u>38,432</u>
Total expenditures	<u>1,280,096</u>	<u>1,337,102</u>	<u>1,298,670</u>	<u>38,432</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>-</u>	<u>-</u>	<u>25,782</u>	<u>25,782</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>25,782</u>	<u>25,782</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>177,634</u>	<u>177,634</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,416</u>	<u>\$ 203,416</u>

CITY OF WAYNESBORO, VIRGINIA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 CAPITAL PROJECTS FUNDS
 For the Year Ended June 30, 2012

Exhibit 31

	School Construction Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	(196,048)	(196,048)
Fund balance (deficit) - ending	\$ -	\$ -	\$ (196,048)	\$ (196,048)

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
For the Year Ended June 30, 2012

				Exhibit 32
	Balance			Balance
	July 1, 2011	Additions	Deletions	June 30, 2012
School Payroll Fringes Fund				
Assets:				
Cash and cash equivalents	\$ 419,973	\$ 11,603,865	\$ 11,591,518	\$ 432,320
Accounts receivable	149	-	125	24
Total assets	<u>\$ 420,122</u>	<u>\$ 11,603,865</u>	<u>\$ 11,591,643</u>	<u>\$ 432,344</u>
Liabilities:				
Payroll taxes and fringes payable	420,122	11,603,865	11,591,643	432,344
Total liabilities	<u>\$ 420,122</u>	<u>\$ 11,603,865</u>	<u>\$ 11,591,643</u>	<u>\$ 432,344</u>

***DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY***

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CITY OF WAYNESBORO, VIRGINIA
 BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
 GOVERNMENTAL FUND
 June 30, 2012

	Exhibit 33
	Economic Development Authority
ASSETS	
Cash and cash equivalents	\$ 92,572
Due from primary government	<u>436</u>
Total assets	<u>\$ 93,008</u>
LIABILITIES AND FUND BALANCES	
Fund balances:	
Committed to:	
Revolving loans	23,225
Unassigned:	<u>69,783</u>
Total fund balances	<u>93,008</u>
Total liabilities and fund balances	<u>\$ 93,008</u>
 Total fund balances - governmental funds - per above	 \$ 93,008
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Receivables, including interest receivable, are not available to pay current-period expenditures and, therefore, are not reported in the funds.	 23,225
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	 <u>(3,954,148)</u>
Net assets of governmental activities	<u>\$ (3,837,915)</u>

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND
For the Year Ended June 30, 2012

	Exhibit 34 Economic Development Authority
REVENUES	
Revenues from use of money and property	\$ 2,708
Miscellaneous	2,875
Intergovernmental:	
Local - City	912,916
Federal	23,400
Total revenues	<u>941,899</u>
EXPENDITURES	
Current:	
Community Development	46,430
Debt Service:	
Principal retirement	984,157
Interest and fiscal charges	190,107
Total expenditures	<u>1,220,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(278,795)</u>
Net change in fund balances	(278,795)
Fund balance - beginning	<u>371,803</u>
Fund balance - ending	<u>\$ 93,008</u>
Net change in fund balances - total governmental funds - per above	\$ (278,795)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	23,225
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	984,157
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>5,158</u>
Change in net assets of governmental activities	<u>\$ 733,745</u>

***CAPITAL ASSETS – USED IN THE OPERATION
OF GOVERNMENTAL FUNDS***

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CITY OF WAYNESBORO, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
June 30, 2012

Exhibit 35

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
PRIMARY GOVERNMENT:							
General government administration	\$ 4,923,193	\$ -	\$ 1,591,315	\$ 50,600	\$ 447,225	\$ -	\$ 7,012,333
Judicial administration	-	-	3,396,648	55,638	112,485	-	3,564,771
Public safety	-	-	4,052,254	64,037	1,780,439	223,642	6,120,372
Public works	305,189	505,093	2,388,379	1,001,887	160,996	48,100,717	52,462,261
Health and welfare	-	-	423,440	208,400	-	-	631,840
Parks, recreation, and cultural	-	-	3,721,872	2,379,737	368,573	-	6,470,182
Community development	3,507,117	111,724	-	622,698	40,036	-	4,281,575
Total Primary Government	<u>\$ 8,735,499</u>	<u>\$ 616,817</u>	<u>\$ 15,573,908</u>	<u>\$ 4,382,997</u>	<u>\$ 2,909,754</u>	<u>\$ 48,324,359</u>	<u>\$ 80,543,334</u>
COMPONENT UNIT SCHOOL BOARD:							
Schools:							
Education	<u>\$ 274,493</u>	<u>\$ -</u>	<u>\$ 51,439,974</u>	<u>\$ 3,774,326</u>	<u>\$ 3,340,268</u>	<u>\$ -</u>	<u>\$ 58,829,061</u>

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included in governmental activities in the statement of net assets.

CITY OF WAYNESBORO, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
For the Year Ended June 30, 2012

Function and Activity				Exhibit 36
	Governmental Funds Capital Assets June 30, 2011	Additions	Deductions	Governmental Funds Capital Assets June 30, 2012
<u>PRIMARY GOVERNMENT:</u>				
General government administration	\$ 7,037,499	\$ 10,850	\$ (36,016)	\$ 7,012,333
Judicial administration	3,564,771	-	-	3,564,771
Public safety	6,079,388	55,427	(14,443)	6,120,372
Public works	51,677,451	784,810	-	52,462,261
Health and welfare	631,840	-	-	631,840
Parks, recreation, and cultural	5,020,669	1,449,513	-	6,470,182
Community development	440,317	3,841,258	-	4,281,575
Total Primary Government	<u>\$ 74,451,935</u>	<u>\$ 6,141,858</u>	<u>\$ (50,459)</u>	<u>\$ 80,543,334</u>
<u>COMPONENT UNIT SCHOOL BOARD:</u>				
Schools:				
Education	<u>\$ 58,677,648</u>	<u>\$ 151,413</u>	<u>\$ -</u>	<u>\$ 58,829,061</u>

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included in governmental activities in the statement of net assets.

SUPPLEMENTAL DATA

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Schedule 1 Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,712,938	\$ 12,712,938	\$ 13,152,412	\$ 439,474
Real and personal public service corporation property taxes	639,850	639,850	637,481	(2,369)
Personal property taxes	2,862,500	2,862,500	3,032,574	170,074
Mobile home taxes	5,415	5,415	6,997	1,582
Machinery and tools taxes	655,000	655,000	1,744,099	1,089,099
Rolling stock	23,600	23,600	21,568	(2,032)
Penalties	155,600	155,600	336,592	180,992
Interest	85,000	85,000	1,025,234	940,234
Total General Property Taxes	<u>17,139,903</u>	<u>17,139,903</u>	<u>19,956,957</u>	<u>2,817,054</u>
Other local taxes:				
Local sales and use tax	4,678,500	4,678,500	4,856,522	178,022
Consumers' utility taxes	1,022,000	1,022,000	1,004,623	(17,377)
Business license taxes	1,783,405	1,785,405	1,935,728	150,323
Motor vehicle licenses	392,000	392,000	401,297	9,297
Bank stock taxes	225,000	225,000	234,099	9,099
Taxes on recordation and wills	169,100	169,100	112,927	(56,173)
Lodging taxes	497,786	497,786	576,460	78,674
Restaurant food taxes	3,322,800	3,322,800	3,461,282	138,482
Tobacco taxes	392,600	392,600	416,691	24,091
Short-term rental taxes	5,000	5,000	5,760	760
Payments in lieu of tax	21,500	21,500	22,598	1,098
Total Other Local Taxes	<u>12,509,691</u>	<u>12,511,691</u>	<u>13,027,987</u>	<u>516,296</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	14,000	14,000	19,137	5,137
Permits and other licenses	182,860	183,020	137,802	(45,218)
Total Permits, Privilege Fees, and Regulatory Licenses	<u>196,860</u>	<u>197,020</u>	<u>156,939</u>	<u>(40,081)</u>
Fines and forfeitures:				
Parking fines	9,000	9,000	8,235	(765)
Fines and forfeitures	113,250	121,260	182,572	61,312
Total Fines and Forfeitures	<u>122,250</u>	<u>130,260</u>	<u>190,807</u>	<u>60,547</u>
Revenue from use of money and property:				
Revenue from use of money	74,000	74,000	96,065	22,065
Revenue from use of property	44,551	46,551	41,811	(4,740)
Total Revenue from Use of Money and Property	<u>118,551</u>	<u>120,551</u>	<u>137,876</u>	<u>17,325</u>
Charges for services:				
Commonwealth's attorney fees	1,000	1,000	2,609	1,609
Charges for court appointed attorney	-	-	335	335
Charges for maintenance of buildings and grounds	14,700	14,700	12,253	(2,447)
Charges for planning services	7,500	7,500	18,121	10,621
Charges for recreation	327,500	336,000	372,861	36,861
Charges for library	11,500	13,858	21,906	8,048
Total Charges for Services	<u>362,200</u>	<u>373,058</u>	<u>428,085</u>	<u>55,027</u>
Miscellaneous revenue:				
Gifts and donations	5,000	24,050	10,199	(13,851)
Other revenue	34,123	35,831	157,534	121,703
Total Miscellaneous Revenue	<u>39,123</u>	<u>59,881</u>	<u>167,733</u>	<u>107,852</u>
Recovered Costs	<u>36,900</u>	<u>39,708</u>	<u>81,878</u>	<u>42,170</u>
Total Revenue from Local Sources	<u>30,525,478</u>	<u>30,572,072</u>	<u>34,148,262</u>	<u>3,576,190</u>

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CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

				Schedule 1 (cont'd)
				Variance with Final Budget - Positive (Negative)
Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	
Primary Government: (cont'd)				
General Fund: (cont'd)				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	\$ 1,800	\$ 1,800	\$ 1,918	\$ 118
Grantor tax	28,000	28,000	25,338	(2,662)
Sales tax on rental passenger vehicles	38,000	38,000	71,699	33,699
Personal property tax reimbursement	1,721,457	1,721,457	1,721,457	-
Assistance to localities with police departments	629,347	629,347	610,471	(18,876)
Rolling stock tax	15,170	15,170	164	(15,006)
Communications tax	1,355,000	1,355,000	1,324,364	(30,636)
Recordation tax	1	1	13,992	13,991
Total Non-categorical Aid	3,788,775	3,788,775	3,769,403	(19,372)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	384,646	384,646	305,514	(79,132)
Sheriff	262,217	262,217	266,561	4,344
Commissioner of the revenue	84,764	84,764	84,664	(100)
Treasurer	78,644	78,644	78,619	(25)
Clerk of circuit court	220,788	220,788	201,328	(19,460)
State compensation board reimbursement	12,000	12,000	14,015	2,015
Registrar/Electoral board	38,823	38,823	41,363	2,540
Total Shared Expenses	1,081,882	1,081,882	992,064	(89,818)
Other categorical aid:				
Street and highway maintenance	2,949,591	2,949,591	3,061,991	112,400
Library	140,181	140,181	140,064	(117)
Four for Life	-	17,983	17,983	-
Virginia Arts	-	5,000	5,000	-
Fire Board funds	-	-	56,154	56,154
Drug seizure	-	-	10,345	10,345
Victim/witness	39,093	39,093	36,883	(2,210)
E-911 wireless	126,000	126,000	103,343	(22,657)
EMS grants	-	2,489	2,370	(119)
Virginia Tourism Commission	-	14,971	14,971	-
VEDP grants	-	50,000	25,000	(25,000)
ED Innovation grant	-	-	20,000	20,000
Other state funds	-	715	1,915	1,200
Total Other Categorical Aid	3,254,865	3,346,023	3,496,019	149,996
Total Categorical Aid	4,336,747	4,427,905	4,488,083	60,178
Total Revenue from the Commonwealth	8,125,522	8,216,680	8,257,486	40,806
Revenue from the Federal Government:				
Categorical aid:				
DMV grants	-	-	15,994	15,994
ARRA - Forestry grants	-	4,365	4,365	-
Other federal funds	-	18,200	3,200	(15,000)
Total Categorical Aid	-	22,565	23,559	994
Total Revenue from the Federal Government	-	22,565	23,559	994
Total General Fund	\$ 38,651,000	\$ 38,811,317	\$ 42,429,307	\$ 3,617,990
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from the Commonwealth:				
Other categorical aid:				
Welfare	985,327	985,327	658,088	(327,239)

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

				Schedule 1 (cont'd)
Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Virginia Public Assistance Fund: (cont'd)				
Revenue from the Federal Government:				
Categorical aid:				
Welfare	\$ 839,352	\$ 839,352	\$ 507,060	\$ (332,292)
Total Virginia Public Assistance Fund	<u>\$ 1,824,679</u>	<u>\$ 1,824,679</u>	<u>\$ 1,165,148</u>	<u>\$ (659,531)</u>
Comprehensive Services Act Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
CSA funds	745,079	745,079	829,140	84,061
Total Comprehensive Services Act Fund	<u>\$ 745,079</u>	<u>\$ 745,079</u>	<u>\$ 829,140</u>	<u>\$ 84,061</u>
Youth and Family Services Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	1,494	1,494
Miscellaneous revenue:				
Gifts and donations	90,875	111,250	98,746	(12,504)
Other revenue	-	-	744	744
Total Miscellaneous Revenue	<u>90,875</u>	<u>111,250</u>	<u>99,490</u>	<u>(11,760)</u>
Recovered Costs	<u>277,200</u>	<u>277,200</u>	<u>270,511</u>	<u>(6,689)</u>
Total Revenue from Local Sources	<u>368,075</u>	<u>388,450</u>	<u>371,495</u>	<u>(16,955)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Juvenile crime control	108,339	108,339	117,386	9,047
VA ABC grant	-	9,008	9,008	-
Total Revenue from the Commonwealth	<u>108,339</u>	<u>117,347</u>	<u>126,394</u>	<u>9,047</u>
Revenue from the Federal Government:				
Categorical aid:				
Youth employment grants	82,500	142,450	156,747	14,297
DOJ grant	73,620	194,846	46,665	(148,181)
Substance abuse/mental health	125,000	125,000	128,846	3,846
Total Revenue from the Federal Government	<u>281,120</u>	<u>462,296</u>	<u>332,258</u>	<u>(130,038)</u>
Total Youth and Family Services Fund	<u>\$ 757,534</u>	<u>\$ 968,093</u>	<u>\$ 830,147</u>	<u>\$ (137,946)</u>
Total Special Revenue Funds	<u>\$ 3,327,292</u>	<u>\$ 3,537,851</u>	<u>\$ 2,824,435</u>	<u>\$ (713,416)</u>
Debt Service Funds:				
Debt Revenue Fund:				
Revenue from Local Government:				
Contribution from Component Unit - School Board	-	-	200,000	200,000
Total Debt Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Total Debt Service Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Capital Projects Funds:				
Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	11,495	11,495
Miscellaneous revenue:				
Gifts and donations	-	-	221,552	221,552
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>233,047</u>	<u>233,047</u>
Revenue from the Commonwealth:				
Categorical Aid:				
Central Shenandoah Planning District Commission grant	-	-	22,000	22,000

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

				Schedule 1 (cont'd)
				Variance with Final Budget - Positive (Negative)
Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	
Primary Government: (cont'd)				
Capital Projects Funds: (cont'd)				
Capital Improvements Fund: (cont'd)				
Revenue from the Federal Government:				
Categorical aid:				
VDOT grants	\$ -	\$ -	\$ 287,438	\$ 287,438
CDBG grant	-	348,978	368,431	19,453
Total Revenue from the Federal Government	-	348,978	655,869	306,891
Total Capital Improvements Fund	\$ -	\$ 348,978	\$ 910,916	\$ 561,938
Total Capital Projects Funds	\$ -	\$ 348,978	\$ 910,916	\$ 561,938
Grand Total - Revenues - Primary Government	\$ 41,978,292	\$ 42,698,146	\$ 46,364,658	\$ 3,666,512
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money	5,000	5,000	27,752	22,752
Revenue from use of property	9,300	9,300	8,457	(843)
Total Revenue from Use of Money and Property	14,300	14,300	36,209	21,909
Charges for services:				
Charges for education	52,200	52,200	104,459	52,259
Charges for transportation	31,500	31,500	10,000	(21,500)
Total Charges for Services	83,700	83,700	114,459	30,759
Miscellaneous revenue:				
Gifts and donations	2,000	2,000	-	(2,000)
Other revenue	86,100	86,100	122,172	36,072
Total Miscellaneous Revenue	88,100	88,100	122,172	34,072
Recovered Costs	91,000	100,608	150,587	49,979
Total Revenue from Local Sources	277,100	286,708	423,427	136,719
Revenue from Local Government:				
Contribution from City of Waynesboro	12,324,555	12,526,728	12,444,330	(82,398)
Revenue from the Commonwealth:				
Categorical Aid:				
Share of state sales tax	2,970,528	2,970,528	2,991,642	21,114
Basic school aid	7,749,351	7,749,351	7,665,262	(84,089)
Gifted and talented children	89,442	89,442	88,812	(630)
GED funding	15,717	15,717	14,673	(1,044)
Special education	629,400	629,400	614,439	(14,961)
Vocational education	211,673	218,243	211,901	(6,342)
Remedial education	330,128	330,128	353,334	23,206
Social security	486,962	486,962	483,530	(3,432)
Teacher retirement	441,247	441,247	438,137	(3,110)
Group life	17,709	17,709	17,762	53
Textbook payments	150,462	150,462	-	(150,462)
At risk	654,625	654,625	654,476	(149)
English as a second language	97,471	97,471	81,989	(15,482)
Primary class size	353,421	353,421	369,918	16,497
Technology initiative	206,000	206,000	206,000	-
Standards of learning	41,328	41,328	37,862	(3,466)
Early intervention	42,721	42,721	56,313	13,592
Operating costs	262,243	262,243	255,817	(6,426)
Other state funds	46,152	46,152	178,835	132,683
Total Revenue from the Commonwealth	14,796,580	14,803,150	14,720,702	(82,448)

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Schedule 1 (cont'd)			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Operating Fund: (cont'd)				
Revenue from the Federal Government:				
Categorical Aid:				
Vocational education	\$ 76,300	\$ 76,300	\$ 71,171	\$ (5,129)
Title II - Teacher Quality	194,940	194,940	155,956	(38,984)
Title VIB	649,351	656,714	652,758	(3,956)
Title VI - Rural education	26,000	99,364	96,494	(2,870)
Title I	1,041,500	1,041,500	1,017,327	(24,173)
ARRA - Title I	40,000	67,640	23,934	(43,706)
Title II, Part D	6,000	6,000	-	(6,000)
Title III	16,370	20,371	13,503	(6,868)
Adult literacy	30,000	30,000	32,674	2,674
ARRA - State fiscal stabilization funds	-	-	608,729	608,729
Teaching American history grant	45,000	45,000	79,992	34,992
Other federal grants	650,231	650,231	-	(650,231)
Total Revenue from the Federal Government	2,775,692	2,888,060	2,752,538	(135,522)
Total School Operating Fund	\$ 30,173,927	\$ 30,504,646	\$ 30,340,997	\$ (163,649)
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	315,358	317,358	294,715	(22,643)
Miscellaneous Revenue	7,013	7,013	9,071	2,058
Total Revenue from Local Sources	322,371	324,371	303,786	(20,585)
Revenue from the Commonwealth:				
School food programs	24,797	24,797	26,359	1,562
Revenue from the Federal Government:				
School food programs	932,928	987,934	994,307	6,373
Total School Cafeteria Fund	\$ 1,280,096	\$ 1,337,102	\$ 1,324,452	\$ (12,650)
School Textbook Fund:				
Revenue from local sources:				
Miscellaneous revenue	-	-	301	301
Total School Textbook Fund	\$ -	\$ -	\$ 301	\$ 301
Total Special Revenue Funds	\$ 31,454,023	\$ 31,841,748	\$ 31,665,750	\$ (175,998)
Grand Total - Revenues - Component Unit School Board	\$ 31,454,023	\$ 31,841,748	\$ 31,665,750	\$ (175,998)

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

				Schedule 2
				Variance with
				Final Budget -
				Positive
				(Negative)
Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City Council	\$ 82,119	\$ 82,119	\$ 81,754	\$ 365
Clerk of Council	54,493	54,493	52,357	2,136
Total Legislative	136,612	136,612	134,111	2,501
General and Financial Administration:				
Manager	381,494	369,232	409,363	(40,131)
City Attorney	180,642	180,642	174,513	6,129
Human Resources	227,079	228,074	241,918	(13,844)
Commissioner of Revenue	281,843	281,843	272,166	9,677
Assessor	214,748	215,870	225,292	(9,422)
Treasurer	231,286	232,096	264,924	(32,828)
Finance	605,328	606,131	599,145	6,986
Information Technology	616,966	637,016	621,591	15,425
Employee Health and Safety	45,500	45,500	16,103	29,397
Risk Management	327,750	327,750	315,873	11,877
Central Office	35,655	36,567	35,641	926
Total General and Financial Administration	3,148,291	3,160,721	3,176,529	(15,808)
Board of Elections:				
Electoral Board and Officials	108,920	108,920	113,426	(4,506)
Total General Government Administration	3,393,823	3,406,253	3,424,066	(17,813)
Judicial Administration:				
Courts:				
Circuit Court	63,225	63,225	55,290	7,935
General District Court	9,144	9,279	17,975	(8,696)
Juvenile and Domestic Relations	8,492	8,856	7,673	1,183
Clerk of the Circuit Court	355,390	355,718	314,016	41,702
Sheriff	428,634	436,249	425,395	10,854
Victim/Witness Assistance	52,249	52,249	51,142	1,107
Total Courts	917,134	925,576	871,491	54,085
Commonwealth Attorney:				
Commonwealth Attorney	514,579	514,579	423,707	90,872
Total Judicial Administration	1,431,713	1,440,155	1,295,198	144,957
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	4,057,685	4,075,164	3,720,152	355,012
Fire and Rescue Services:				
Fire Department	2,207,209	2,262,717	2,190,329	72,388
First Aid Crew	37,000	112,190	111,794	396
EMS Council	8,983	8,983	8,983	-
Total Fire and Rescue Services	2,253,192	2,383,890	2,311,106	72,784
Correction and Detention:				
Middle River Regional Jail	1,515,218	1,352,123	1,352,123	-
Juvenile Detention Home	84,010	84,010	76,104	7,906
Total Correction and Detention	1,599,228	1,436,133	1,428,227	7,906
Inspections:				
Inspector's Office	371,772	374,897	323,224	51,673
Other Protection:				
Animal Control	-	-	96,863	(96,863)
Emergency Operations Center	935,279	935,578	939,037	(3,459)
Total Other Protection	935,279	935,578	1,035,900	(100,322)
Total Public Safety	9,217,156	9,205,662	8,818,609	387,053

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CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	Schedule 2 (cont'd)
				Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Engineering/Administration	\$ 861,133	\$ 879,358	\$ 846,330	\$ 33,028
Public Works Operations Administration	99,450	100,006	83,768	16,238
Highways, Streets, Bridges, and Sidewalks	2,846,228	3,343,128	1,847,200	1,495,928
Traffic Engineering	345,060	552,095	294,426	257,669
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	<u>4,151,871</u>	<u>4,874,587</u>	<u>3,071,724</u>	<u>1,802,863</u>
Sanitation and Waste Removal:				
Landfill closure	544,445	572,893	137,301	435,592
Maintenance of General Buildings and Grounds:				
General Properties:				
Maintenance of buildings and grounds	150,200	150,269	145,061	5,208
Total Public Works	<u>4,846,516</u>	<u>5,597,749</u>	<u>3,354,086</u>	<u>2,243,663</u>
Health and Welfare:				
Health:				
Supplement of Local Health Department	234,030	234,030	210,909	23,121
Contribution to VCSB	114,343	114,343	114,343	-
Total Health	<u>348,373</u>	<u>348,373</u>	<u>325,252</u>	<u>23,121</u>
Welfare:				
Area Agency on Aging	25,250	210,250	210,250	-
Property Tax Relief-Elderly Handicapped	105,000	105,000	101,009	3,991
Other Contributions	18,133	18,133	20,055	(1,922)
Total Welfare	<u>148,383</u>	<u>333,383</u>	<u>331,314</u>	<u>2,069</u>
Total Health and Welfare	<u>496,756</u>	<u>681,756</u>	<u>656,566</u>	<u>25,190</u>
Education:				
Contribution to Community College	30,403	30,403	30,403	-
Contribution to City School Board	12,324,555	12,526,728	12,444,330	82,398
Total Education	<u>12,354,958</u>	<u>12,557,131</u>	<u>12,474,733</u>	<u>82,398</u>
Parks, Recreation and Cultural:				
Parks and Recreation:				
Administration	391,944	401,549	357,510	44,039
Municipal Parks	541,813	545,286	590,026	(44,740)
Municipal Pools	118,136	118,359	122,072	(3,713)
Recreation Programs	247,115	247,365	252,752	(5,387)
Custodial	476,574	512,771	473,365	39,406
Cemeteries	72,129	73,365	68,183	5,182
Total Parks and Recreation	<u>1,847,711</u>	<u>1,898,695</u>	<u>1,863,908</u>	<u>34,787</u>
Library:				
Library Administration	793,149	836,356	783,067	53,289
Cultural Enrichment:				
Contributions	37,000	55,500	55,531	(31)
Total Parks, Recreation, and Cultural	<u>2,677,860</u>	<u>2,790,551</u>	<u>2,702,506</u>	<u>88,045</u>
Community Development:				
City Planner	280,442	356,132	337,237	18,895
ADA Coordination	-	-	382	(382)
Contributions to Community Organizations	44,096	44,592	44,592	-
Tourism Department	167,846	217,842	171,029	46,813
Economic Development	1,128,755	1,198,992	1,165,067	33,925
Downtown Development	-	-	434	(434)
Shenandoah Valley Airport	44,052	44,052	44,052	-
Total Community Development	<u>1,665,191</u>	<u>1,861,610</u>	<u>1,762,793</u>	<u>98,817</u>

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CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	Schedule 2 (cont'd)
				Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Debt Service:				
Principal Retirement	\$ 1,231,254	\$ 1,231,254	\$ 1,231,254	\$ -
Interest and Fiscal Charges	532,496	775,590	719,116	56,474
Bond Issuance Costs	-	-	15,800	(15,800)
Total Debt Service	<u>1,763,750</u>	<u>2,006,844</u>	<u>1,966,170</u>	<u>40,674</u>
Total General Fund	<u>\$ 37,847,723</u>	<u>\$ 39,547,711</u>	<u>\$ 36,454,727</u>	<u>\$ 3,092,984</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Public Assistance	<u>\$ 2,399,000</u>	<u>\$ 2,399,000</u>	<u>\$ 1,718,683</u>	<u>\$ 680,317</u>
Comprehensive Services Act Fund:				
Health and Welfare:				
Welfare/Social Services:				
Comprehensive Services	<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,279,233</u>	<u>\$ 20,767</u>
Youth and Family Services Fund:				
Public Safety:				
Correction and Detention:				
Youth Services	803,486	1,064,401	893,264	171,137
VJCCA Programs	<u>109,839</u>	<u>109,839</u>	<u>92,558</u>	<u>17,281</u>
Total Public Safety	<u>913,325</u>	<u>1,174,240</u>	<u>985,822</u>	<u>188,418</u>
Health and Welfare:				
Welfare/Social Services:				
Teen Pregnancy Prevention	<u>69,605</u>	<u>78,605</u>	<u>70,186</u>	<u>8,419</u>
Total Youth and Family Services Fund	<u>\$ 982,930</u>	<u>\$ 1,252,845</u>	<u>\$ 1,056,008</u>	<u>\$ 196,837</u>
Total Special Revenue Funds	<u>\$ 4,681,930</u>	<u>\$ 4,951,845</u>	<u>\$ 4,053,924</u>	<u>\$ 897,921</u>
Debt Service Funds:				
Debt Revenue Fund:				
Debt Service:				
Principal Retirement	563,609	563,609	563,609	-
Interest and Fiscal Charges	<u>803,161</u>	<u>803,161</u>	<u>803,160</u>	<u>1</u>
Total Debt Service	<u>1,366,770</u>	<u>1,366,770</u>	<u>1,366,769</u>	<u>1</u>
Total Debt Revenue Fund	<u>\$ 1,366,770</u>	<u>\$ 1,366,770</u>	<u>\$ 1,366,769</u>	<u>\$ 1</u>
Total Debt Service Funds	<u>\$ 1,366,770</u>	<u>\$ 1,366,770</u>	<u>\$ 1,366,769</u>	<u>\$ 1</u>
Capital Projects Funds:				
Capital Improvements Fund:				
Public Works:				
Highways, Streets, Bridges, and Sidewalks	-	741,614	792,929	(51,315)
Other Public Works Improvements	<u>-</u>	<u>408,654</u>	<u>689,861</u>	<u>(281,207)</u>
Total Public Works	<u>-</u>	<u>1,150,268</u>	<u>1,482,790</u>	<u>(332,522)</u>
Parks and Recreation Improvements	<u>-</u>	<u>36,989</u>	<u>39,892</u>	<u>(2,903)</u>
Capital Projects:				
Industrial Park	-	3,502,350	3,507,116	(4,766)
Building Improvements	<u>-</u>	<u>1,104,546</u>	<u>1,453,751</u>	<u>(349,205)</u>
Total Capital Projects	<u>-</u>	<u>4,606,896</u>	<u>4,960,867</u>	<u>(353,971)</u>
Total Capital Improvements Fund	<u>\$ -</u>	<u>\$ 5,794,153</u>	<u>\$ 6,483,549</u>	<u>\$ (689,396)</u>
Total Capital Projects Funds	<u>\$ -</u>	<u>\$ 5,794,153</u>	<u>\$ 6,483,549</u>	<u>\$ (689,396)</u>
Grand Total - Expenditures - Primary Government	<u>\$ 43,896,423</u>	<u>\$ 51,660,479</u>	<u>\$ 48,358,969</u>	<u>\$ 3,301,510</u>

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	Schedule 2 (cont'd)
				Variance with Final Budget - Positive (Negative)
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration and Instruction of Schools:				
Classroom Instruction	\$ 23,051,022	\$ 23,115,958	\$ 22,554,164	\$ 561,794
Administration, Attendance, and Health	1,758,525	1,748,383	1,811,531	(63,148)
Cafeteria Administration	49,062	49,062	48,940	122
Total Administration and Instruction of Schools	<u>24,858,609</u>	<u>24,913,403</u>	<u>24,414,635</u>	<u>498,768</u>
Operating Costs:				
Pupil Transportation	882,344	878,395	980,306	(101,911)
Operation and Maintenance of School Plant	3,184,539	3,182,985	3,173,192	9,793
Technology	779,240	858,495	837,217	21,278
Total Operating Costs	<u>4,846,123</u>	<u>4,919,875</u>	<u>4,990,715</u>	<u>(70,840)</u>
Total Education	<u>29,704,732</u>	<u>29,833,278</u>	<u>29,405,350</u>	<u>427,928</u>
Capital Projects:				
Facilities	-	-	122,881	(122,881)
Debt Service:				
Principal Retirement	174,137	174,137	174,137	-
Interest and Fiscal Charges	168,917	168,917	168,915	2
Total Debt Service	<u>343,054</u>	<u>343,054</u>	<u>343,052</u>	<u>2</u>
Payment to City - Debt Service	-	-	200,000	(200,000)
Total School Operating Fund	<u>\$ 30,047,786</u>	<u>\$ 30,176,332</u>	<u>\$ 30,071,283</u>	<u>\$ 105,049</u>
School Cafeteria Fund:				
Education:				
Food Service	\$ 1,280,096	\$ 1,337,102	\$ 1,298,670	\$ 38,432
School Textbook Fund:				
Education:				
Instructional Costs	\$ 126,141	\$ 126,141	\$ 116,514	\$ 9,627
Total Special Revenue Funds	<u>\$ 31,454,023</u>	<u>\$ 31,639,575</u>	<u>\$ 31,486,467</u>	<u>\$ 153,108</u>
Grand Total - Expenditures - Component Unit - School Board	<u>\$ 31,454,023</u>	<u>\$ 31,639,575</u>	<u>\$ 31,486,467</u>	<u>\$ 153,108</u>

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Waynesboro's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	<u>Tables</u>	<u>Pages</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1 - 4	84-88
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5 - 8	89-92
<i>Debt Capacity</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	9 - 13	93-97
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	14 - 15	98-99
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	16 - 18	100-102

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF WAYNESBORO, VIRGINIA
NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	2003	2004	2005	2006 (1)	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 2,441,145	\$ 17,068,505	\$ 18,510,103	\$ 26,444,121	\$ 32,011,866	\$ 31,627,418	\$ 30,038,195	\$ 28,815,976	\$ 28,479,287	\$ 28,582,343
Restricted	744,326	623,985	990,219	1,325,188	2,500,229	2,452,322	1,827,736	895,584	1,709,659	2,342,332
Unrestricted	7,613,315	(4,631,989)	(6,934,478)	(16,024,338)	(21,776,627)	(19,723,629)	(17,413,909)	(14,891,347)	(13,941,412)	(9,568,762)
Total governmental activities net assets	<u>\$ 10,798,786</u>	<u>\$ 13,060,501</u>	<u>\$ 12,565,844</u>	<u>\$ 11,744,971</u>	<u>\$ 12,735,468</u>	<u>\$ 14,356,111</u>	<u>\$ 14,452,022</u>	<u>\$ 14,820,213</u>	<u>\$ 16,247,534</u>	<u>\$ 21,355,913</u>
Business-type activities										
Invested in capital assets, net of related debt	13,500,523	12,476,938	11,899,122	11,304,265	21,497,669	22,891,760	25,288,754	28,231,948	23,628,183	24,126,240
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,716,476	1,225,611	4,179,606	5,056,293	6,212,456	5,806,391	6,285,557	6,465,365	11,988,432	11,804,718
Total business-type activities net assets	<u>\$ 15,216,999</u>	<u>\$ 13,702,549</u>	<u>\$ 16,078,728</u>	<u>\$ 16,360,558</u>	<u>\$ 27,710,125</u>	<u>\$ 28,698,151</u>	<u>\$ 31,574,311</u>	<u>\$ 34,697,313</u>	<u>\$ 35,616,615</u>	<u>\$ 35,930,958</u>
Primary government										
Invested in capital assets, net of related debt	15,941,668	29,545,443	30,409,225	37,748,386	53,509,535	54,519,178	55,326,949	57,047,924	52,107,470	52,708,583
Restricted	744,326	623,985	990,219	1,325,188	2,500,229	2,452,322	1,827,736	895,584	1,709,659	2,342,332
Unrestricted	9,329,791	(3,406,378)	(2,754,872)	(10,968,045)	(15,564,171)	(13,917,238)	(11,128,352)	(8,425,982)	(1,952,980)	2,235,956
Total primary government net assets	<u>\$ 26,015,785</u>	<u>\$ 26,763,050</u>	<u>\$ 28,644,572</u>	<u>\$ 28,105,529</u>	<u>\$ 40,445,593</u>	<u>\$ 43,054,262</u>	<u>\$ 46,026,333</u>	<u>\$ 49,517,526</u>	<u>\$ 51,864,149</u>	<u>\$ 57,286,871</u>
School Board Component Unit										
Invested in capital assets, net of related debt	\$ 20,208,568	\$ 20,208,569	\$ 20,852,878	\$ 25,642,715	\$ 39,204,452	\$ 41,067,451	\$ 40,107,227	\$ 39,518,141	\$ 39,741,364	\$ 38,791,483
Restricted	2,623,521	2,623,521	753,072	298,153	251,234	177,285	177,222	56,579	-	-
Unrestricted	(29,936)	(29,935)	1,200,554	8,835,911	2,326,403	(36,603)	(224,865)	(648,481)	(718,197)	(824,406)
Total governmental activities net assets	<u>\$ 22,802,153</u>	<u>\$ 22,802,155</u>	<u>\$ 22,806,504</u>	<u>\$ 34,776,779</u>	<u>\$ 41,782,089</u>	<u>\$ 41,208,133</u>	<u>\$ 40,059,584</u>	<u>\$ 38,926,239</u>	<u>\$ 39,023,167</u>	<u>\$ 37,967,077</u>

Notes:

(1) The City implemented retroactive infrastructure reporting in fiscal year 2006 as allowed by GASB 34.

CITY OF WAYNESBORO, VIRGINIA
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 2,601,251	\$ 2,808,685	\$ 3,012,553	\$ 2,941,433	\$ 3,320,789	\$ 3,941,896	\$ 3,588,200	\$ 3,513,547	\$ 3,287,456	\$ 3,483,499
Judicial administration	1,044,395	1,075,690	1,135,970	1,153,813	1,269,518	1,379,141	1,467,058	1,343,998	1,382,610	1,375,669
Public safety	7,243,480	8,004,143	8,459,852	8,870,386	9,052,280	9,810,982	9,881,777	9,828,150	10,117,442	10,543,735
Public works	3,683,253	3,527,836	3,778,038	6,079,801	6,635,621	7,110,417	7,537,332	6,577,485	6,868,683	4,888,803
Health and welfare	4,113,931	2,528,456	2,849,224	2,995,267	3,624,327	3,986,651	4,331,885	3,654,529	3,814,915	3,960,411
Education	14,548,212	10,266,357	11,112,271	22,809,646	17,847,241	11,220,709	11,160,168	12,095,786	12,613,857	12,474,733
Parks, recreation and culture	2,131,466	2,190,251	2,241,236	2,233,386	2,372,588	2,571,051	2,735,276	2,624,705	2,190,791	2,955,145
Community development	597,248	611,460	538,773	1,328,319	1,298,951	1,217,097	1,960,369	2,045,703	2,556,858	1,497,846
Interest on long-term debt	585,749	536,610	507,905	1,010,098	1,239,572	1,415,580	1,528,816	1,530,649	1,453,059	1,477,542
Total governmental activities expenses	<u>36,548,985</u>	<u>31,549,488</u>	<u>33,635,822</u>	<u>49,422,149</u>	<u>46,660,887</u>	<u>42,653,524</u>	<u>44,190,881</u>	<u>43,214,552</u>	<u>44,285,671</u>	<u>42,657,383</u>
Business-type activities:										
Water	1,256,209	1,461,161	1,609,769	1,712,328	1,870,141	2,537,545	3,193,050	3,079,569	3,084,115	3,004,078
Sewer	2,891,977	2,625,145	2,635,137	2,551,425	3,040,972	3,380,232	3,809,431	3,996,227	4,335,813	4,469,768
Landfill Operations	1,625,675	2,474,344	1,303,960	846,062	591,641	772,907	2,194,854	1,039,018	423,090	414,018
Garbage	631,920	658,894	880,686	914,086	930,127	1,131,628	1,018,808	910,371	957,700	1,104,390
Total business-type activities expenses	<u>6,405,781</u>	<u>7,219,544</u>	<u>6,429,552</u>	<u>6,023,901</u>	<u>6,432,881</u>	<u>7,822,312</u>	<u>10,216,143</u>	<u>9,025,185</u>	<u>8,800,718</u>	<u>8,992,254</u>
Total primary government expenses	<u>\$ 42,954,766</u>	<u>\$ 38,769,032</u>	<u>\$ 40,065,374</u>	<u>\$ 55,446,050</u>	<u>\$ 53,093,768</u>	<u>\$ 50,475,836</u>	<u>\$ 54,407,024</u>	<u>\$ 52,239,737</u>	<u>\$ 53,086,389</u>	<u>\$ 51,649,637</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	76	18,807	28,104	26,465	35,285	22,826	26,269	24,446	25,148	40,182
Judicial administration	180,637	205,290	206,537	216,898	195,104	172,295	167,312	147,024	170,118	197,290
Public safety	12,759	9,198	12,834	30,003	12,043	12,300	17,923	21,189	35,325	436,082
Public works	28,292	57,918	48,186	51,295	23,616	23,153	45,487	15,874	15,738	22,500
Health and welfare	-	-	-	-	-	-	-	-	69,765	69,765
Parks, recreation and culture	246,846	250,364	295,844	278,560	276,411	319,154	308,305	353,479	369,128	394,767
Community development	118,292	117,949	303,742	348,016	344,194	262,748	193,518	200,676	168,425	155,923
Operating grants and contributions	6,754,394	5,949,919	6,397,270	7,171,563	7,152,598	7,046,973	7,681,113	7,389,284	8,171,171	7,444,708
Capital grants and contributions	-	-	121,773	204,881	7,104,865	21,274	380,641	585,973	1,437,657	368,431
Total governmental activities revenues	<u>7,341,296</u>	<u>6,609,445</u>	<u>7,414,290</u>	<u>8,327,681</u>	<u>15,144,116</u>	<u>7,880,723</u>	<u>8,820,568</u>	<u>8,737,945</u>	<u>10,462,475</u>	<u>9,129,648</u>
Business-type activities:										
Charges for services:										
Water	1,360,910	1,407,423	1,505,287	1,501,958	1,797,368	2,148,094	2,287,371	2,653,141	2,659,951	2,832,835
Sewer	2,850,426	2,835,984	3,020,392	3,174,260	3,553,837	3,654,850	3,377,798	3,747,884	4,051,980	5,156,159
Landfill operations	465,490	582,313	844,313	785,885	888,552	950,049	763,988	681,827	971,976	670,726
Garbage	840,735	821,321	831,883	855,661	972,114	970,030	1,054,859	1,122,743	1,128,021	1,126,637
Operating grants and contributions	4,784	4,495	-	74,180	2,940	-	-	5,125	5,910	5,000
Capital grants and contributions	-	225,687	-	-	10,617,960	777,586	6,712,151	3,279,541	1,417,616	155,346
Total business-type activities revenues	<u>5,522,345</u>	<u>5,877,223</u>	<u>6,201,875</u>	<u>6,391,944</u>	<u>17,832,771</u>	<u>8,500,609</u>	<u>14,196,167</u>	<u>11,490,261</u>	<u>10,235,454</u>	<u>9,946,703</u>
Total primary government revenues	<u>\$ 12,863,641</u>	<u>\$ 12,486,668</u>	<u>\$ 13,616,165</u>	<u>\$ 14,719,625</u>	<u>\$ 32,976,887</u>	<u>\$ 16,381,332</u>	<u>\$ 23,016,735</u>	<u>\$ 20,228,206</u>	<u>\$ 20,697,929</u>	<u>\$ 19,076,351</u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	\$ (29,207,689)	\$ (24,940,043)	\$ (26,221,532)	\$ (41,094,468)	\$ (31,516,771)	\$ (34,772,801)	\$ (35,370,313)	\$ (34,476,607)	\$ (33,823,196)	\$ (33,527,735)
Business-type activities	(883,436)	(1,342,321)	(227,677)	368,043	11,399,890	678,297	3,980,024	2,465,076	1,434,736	954,449
Total primary government net expense	<u>\$ (30,091,125)</u>	<u>\$ (26,282,364)</u>	<u>\$ (26,449,209)</u>	<u>\$ (40,726,425)</u>	<u>\$ (20,116,881)</u>	<u>\$ (34,094,504)</u>	<u>\$ (31,390,289)</u>	<u>\$ (32,011,531)</u>	<u>\$ (32,388,460)</u>	<u>\$ (32,573,286)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	14,287,618	14,854,933	14,056,671	14,576,219	14,480,811	17,012,250	17,072,546	17,424,487	17,778,371	19,820,066
Sales taxes	2,620,687	2,758,202	3,339,120	4,066,761	4,112,598	4,673,601	4,611,094	4,276,967	4,489,608	4,856,522
Utility taxes	1,688,075	1,704,924	1,933,004	1,998,674	1,613,339	1,069,158	1,039,426	1,022,522	1,025,014	1,004,623
Business license taxes	1,385,427	1,484,441	1,565,469	1,855,437	1,865,555	2,095,063	1,971,825	1,795,885	1,822,607	1,935,728
Hotel and meals taxes	1,338,697	1,762,549	2,039,518	2,299,645	2,482,776	2,726,913	2,844,749	2,878,449	3,276,948	4,037,742
Communication sales taxes	-	-	-	-	638,517	1,489,033	1,352,919	1,358,560	-	-
Tobacco taxes	104,633	106,627	451,890	434,098	427,431	432,587	414,921	392,881	394,680	416,691
E-911 taxes	168,523	188,309	269,374	278,907	-	-	-	-	-	-
Other local taxes	892,866	693,233	868,345	1,026,871	1,059,761	770,915	793,431	828,617	834,833	776,681
Unrestricted grants and contributions	2,343,345	2,502,078	2,490,660	2,692,442	2,861,725	3,895,364	2,920,104	2,900,125	4,109,897	4,034,685
Payment from Component Unit School Board	-	-	372,484	1,002,794	1,474,454	569,901	540,069	315,789	200,000	200,000
Investment earnings	403,641	131,303	220,148	404,429	588,662	706,362	252,686	314,491	244,466	113,331
Miscellaneous	1,098,170	1,009,919	459,512	597,273	575,240	626,028	403,882	458,724	392,858	680,575
Gain(loss) on sale of capital assets	-	48,000	9,788	26,988	10,658	71,525	-	3,655	22,602	37,470
Transfers	(61,000)	(412,770)	(2,569,050)	(92,044)	315,741	254,744	1,248,572	711,774	644,665	722,000
Total governmental activities	<u>26,270,682</u>	<u>26,831,748</u>	<u>25,506,933</u>	<u>31,168,494</u>	<u>32,507,268</u>	<u>36,393,444</u>	<u>35,466,224</u>	<u>34,682,926</u>	<u>35,236,549</u>	<u>38,636,114</u>
Business-type activities:										
Investment earnings	10,591	10,293	27,292	68,405	260,480	540,849	140,797	12,731	33,932	37,849
Miscellaneous	9,297	6,248	7,514	9,179	4,938	17,164	15,005	22,549	95,299	44,045
Gain(loss) on sale of capital assets	-	(390,186)	-	-	-	6,460	(11,094)	-	-	-
Transfers	61,000	412,770	2,569,050	92,044	(315,741)	(254,744)	(1,248,572)	(711,774)	(644,665)	(722,000)
Total business-type activities	<u>80,888</u>	<u>39,125</u>	<u>2,603,856</u>	<u>169,628</u>	<u>(50,323)</u>	<u>309,729</u>	<u>(1,103,864)</u>	<u>(676,494)</u>	<u>(515,434)</u>	<u>(640,106)</u>
Total primary government	<u>\$ 26,351,570</u>	<u>\$ 26,870,873</u>	<u>\$ 28,110,789</u>	<u>\$ 31,338,122</u>	<u>\$ 32,456,945</u>	<u>\$ 36,703,173</u>	<u>\$ 34,362,360</u>	<u>\$ 34,006,432</u>	<u>\$ 34,721,115</u>	<u>\$ 37,996,008</u>
Change in Net Assets										
Governmental activities	(2,937,007)	1,891,705	(714,599)	(9,925,974)	990,497	1,620,643	95,911	206,319	1,413,353	5,108,379
Business-type activities	(802,548)	(1,303,196)	2,376,179	537,671	11,349,567	988,026	2,876,160	1,788,582	919,302	314,343
Total primary government	<u>\$ (3,739,555)</u>	<u>\$ 588,509</u>	<u>\$ 1,661,580</u>	<u>\$ (9,388,303)</u>	<u>\$ 12,340,064</u>	<u>\$ 2,608,669</u>	<u>\$ 2,972,071</u>	<u>\$ 1,994,901</u>	<u>\$ 2,332,655</u>	<u>\$ 5,422,722</u>

cont'd

CITY OF WAYNESBORO, VIRGINIA
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2 (Cont'd)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
School Board Component Unit:										
Education	\$ 22,527,582	\$ 23,982,552	\$ 27,548,709	\$ 29,155,136	\$ 31,211,201	\$ 32,243,465	\$ 33,197,562	\$ 33,673,788	\$ 31,807,568	\$ 32,721,840
Total School Board component unit expenses	<u>22,527,582</u>	<u>23,982,552</u>	<u>27,548,709</u>	<u>29,155,136</u>	<u>31,211,201</u>	<u>32,243,465</u>	<u>33,197,562</u>	<u>33,673,788</u>	<u>31,807,568</u>	<u>32,721,840</u>
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	382,114	509,029	472,211	570,801	531,282	567,854	504,427	553,422	488,202	559,761
Operating grants and contributions	12,251,469	12,805,209	15,471,883	16,766,001	18,843,656	19,254,634	19,913,135	19,640,208	18,697,345	18,493,906
Capital grants and contributions	<u>598,427</u>	<u>1,962,324</u>	<u>1,792,810</u>	<u>13,605,279</u>	<u>8,253,141</u>	<u>760,012</u>	<u>574,981</u>	<u>115,789</u>	<u>-</u>	<u>-</u>
Total School Board component unit revenues	<u>13,232,010</u>	<u>15,276,562</u>	<u>17,736,904</u>	<u>30,942,081</u>	<u>27,628,079</u>	<u>20,582,500</u>	<u>20,992,543</u>	<u>20,309,419</u>	<u>19,185,547</u>	<u>19,053,667</u>
Net (Expense)/Revenue										
School Board Component Unit	<u>(9,295,572)</u>	<u>(8,705,990)</u>	<u>(9,811,805)</u>	<u>1,786,945</u>	<u>(3,583,122)</u>	<u>(11,660,965)</u>	<u>(12,205,019)</u>	<u>(13,364,369)</u>	<u>(12,622,021)</u>	<u>(13,668,173)</u>
General Revenues and Other Changes in Net Assets										
School Board Component Unit:										
Payment from City of Waynesboro	14,544,087	8,846,818	9,675,920	9,566,828	9,946,467	10,804,096	10,896,054	12,065,383	12,583,454	12,444,330
Investment earnings	19,199	8,672	1,767	418,251	525,207	83,853	10,552	3,992	19,232	27,752
Miscellaneous	<u>176,260</u>	<u>154,467</u>	<u>138,467</u>	<u>157,967</u>	<u>116,758</u>	<u>199,060</u>	<u>149,864</u>	<u>161,649</u>	<u>116,263</u>	<u>140,001</u>
Total School Board Component Unit	<u>14,739,546</u>	<u>9,009,957</u>	<u>9,816,154</u>	<u>10,143,046</u>	<u>10,588,432</u>	<u>11,087,009</u>	<u>11,056,470</u>	<u>12,231,024</u>	<u>12,718,949</u>	<u>12,612,083</u>
Change in Net Assets										
School Board Component Unit	<u>\$ 5,443,974</u>	<u>\$ 303,967</u>	<u>\$ 4,349</u>	<u>\$ 11,929,991</u>	<u>\$ 7,005,310</u>	<u>\$ (573,956)</u>	<u>\$ (1,148,549)</u>	<u>\$ (1,133,345)</u>	<u>\$ 96,928</u>	<u>\$ (1,056,090)</u>

CITY OF WAYNESBORO, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 316,562	\$ 255,112	\$ 247,205	\$ 1,377,822	\$ 2,065,121	\$ 715,167	\$ 892,304	\$ 1,807,457	\$ -	\$ -
Unreserved	6,765,438	6,919,605	4,727,307	6,639,081	6,599,014	8,280,974	9,402,818	8,849,322	-	-
Restricted	-	-	-	-	-	-	-	-	1,046,961	1,667,383
Committed	-	-	-	-	-	-	-	-	1,014,335	683,745
Assigned	-	-	-	-	-	-	-	-	123,126	1,277,007
Unassigned	-	-	-	-	-	-	-	-	8,204,385	11,385,888
Total general fund	<u>\$ 7,082,000</u>	<u>\$ 7,174,717</u>	<u>\$ 4,974,512</u>	<u>\$ 8,016,903</u>	<u>\$ 8,664,135</u>	<u>\$ 8,996,141</u>	<u>\$ 10,295,122</u>	<u>\$ 10,656,779</u>	<u>\$ 10,388,807</u>	<u>\$ 15,014,023</u>
All Other Governmental Funds										
Reserved	593,140	622,548	407,899	420,399	440,722	452,099	592,766	813,025	-	-
Unreserved, reported in:										
Special revenue funds	124,528	270,011	256,293	139,494	177,141	157,527	292,120	307,281	-	-
Capital projects funds	-	-	(354,235)	358,250	(13,537)	3,018,578	7,929,490	7,269,278	-	-
Debt service funds	-	-	372,484	752,546	1,935,922	1,759,592	1,040,748	180,303	-	-
Nonspendable	-	-	-	-	-	-	-	-	510,549	522,799
Restricted	-	-	-	-	-	-	-	-	5,478,065	3,617,202
Committed	-	-	-	-	-	-	-	-	926,958	487,621
Assigned	-	-	-	-	-	-	-	-	705,774	751,682
Total all other governmental funds	<u>\$ 717,668</u>	<u>\$ 892,559</u>	<u>\$ 682,441</u>	<u>\$ 1,670,689</u>	<u>\$ 2,540,248</u>	<u>\$ 5,387,796</u>	<u>\$ 9,855,124</u>	<u>\$ 8,569,887</u>	<u>\$ 7,621,346</u>	<u>\$ 5,379,304</u>

With the implementation of GASB Statement No. 54 in Fiscal Year 2011, the fund balance terminology was changed.

CITY OF WAYNESBORO, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 14,178,625	\$ 14,990,138	\$ 14,167,813	\$ 14,631,862	\$ 14,624,266	\$ 16,516,401	\$ 16,951,430	\$ 17,604,173	\$ 17,860,376	\$ 19,956,957
Sales taxes	2,620,687	2,758,202	3,339,120	4,066,761	4,112,598	4,673,601	4,611,094	4,276,967	4,489,608	4,856,522
Other local taxes	5,578,221	5,909,222	7,158,461	7,893,632	8,087,379	8,583,669	8,417,271	8,276,914	7,354,082	8,171,465
Permits, privilege fees and regulatory licenses	119,609	119,468	236,768	198,272	227,255	219,523	150,889	177,958	170,838	156,939
Fines and forfeitures	187,382	199,960	201,305	211,196	170,508	150,275	163,322	145,287	167,027	190,807
Revenues from use of money and property	403,641	288,261	382,886	565,881	750,952	870,168	329,146	372,488	310,851	155,142
Charges for services	279,911	279,612	393,317	453,148	418,956	403,498	361,624	396,579	387,367	439,765
Miscellaneous	786,819	852,961	296,774	435,821	412,950	462,222	327,422	450,724	322,391	510,028
Recovered costs	311,351	298,320	326,527	337,168	319,744	314,203	357,849	333,526	394,505	799,509
Intergovernmental	9,097,739	8,214,163	8,997,744	10,618,252	11,238,967	11,237,215	11,366,090	10,367,422	12,487,769	11,782,542
Total revenues	33,563,985	33,910,307	35,500,715	39,411,993	40,363,575	43,430,775	43,036,137	42,402,038	43,944,814	47,019,676
Expenditures										
General government administration	2,563,480	2,786,297	2,954,994	2,916,026	3,296,296	3,960,404	3,590,224	3,455,029	3,204,711	3,424,066
Judicial administration	1,030,399	1,004,435	1,058,116	1,081,644	1,194,039	1,308,577	1,374,825	1,244,498	1,307,187	1,295,198
Public safety	7,180,940	7,981,916	8,255,928	8,782,223	8,930,552	10,115,145	9,540,225	9,537,907	9,941,487	10,181,785
Public works	3,609,703	3,714,655	3,626,598	4,931,184	5,519,983	5,756,366	5,550,039	5,630,528	6,761,493	4,836,876
Health and welfare	4,139,957	2,530,429	2,835,527	2,994,485	3,621,412	3,979,258	4,323,371	3,647,964	3,805,952	3,953,428
Education (1)	14,548,212	10,266,357	11,112,271	22,809,646	17,847,241	11,220,709	11,160,168	12,095,786	12,113,857	12,474,733
Parks, recreation and culture	2,031,122	2,100,600	2,114,322	2,135,662	2,274,105	2,759,849	2,704,053	2,764,188	2,330,164	2,742,398
Community development	627,355	615,737	845,509	1,472,833	1,289,363	1,198,317	1,947,500	1,599,940	2,920,682	1,762,793
Capital projects	2,871,560	727,444	776,298	478,366	167,250	-	-	-	500,000	4,960,867
Debt service:										
Principal retirement	1,025,009	1,023,176	1,013,703	1,043,772	1,245,602	2,055,794	1,997,519	2,223,843	2,307,296	1,794,863
Interest and fiscal charges	620,281	544,387	519,296	735,946	1,116,990	1,274,495	1,568,976	1,588,914	1,499,775	1,522,276
Bond issuance costs	-	-	-	250,997	-	74,292	123,651	-	23,112	15,800
Total expenditures	40,248,018	33,295,433	35,112,562	49,632,784	46,502,833	43,703,206	43,880,551	43,788,597	46,715,716	48,965,083
Excess of revenues over (under) expenditures	(6,684,033)	614,874	388,153	(10,220,791)	(6,139,258)	(272,431)	(844,414)	(1,386,559)	(2,770,902)	(1,945,407)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Insurance recoveries	-	-	-	-	-	-	-	-	115,957	128,736
Sale of property	-	-	-	-	4,590	-	-	-	-	-
Debt issued	-	-	-	14,380,000	7,600,000	9,704,713	5,870,000	-	985,000	3,519,100
Premium on debt	-	-	-	69,718	-	394,877	139,199	-	14,567	-
Capital lease	-	-	-	29,666	-	-	-	-	32,718	-
Refunded bonds redeemed	-	-	-	-	-	(6,708,062)	-	-	-	-
Transfers in	2,213,774	1,428,710	978,978	2,539,722	2,262,292	2,485,276	2,652,677	2,402,169	3,734,651	3,539,351
Transfers out	<u>(2,474,774)</u>	<u>(1,841,480)</u>	<u>(3,777,454)</u>	<u>(2,767,676)</u>	<u>(2,210,833)</u>	<u>(2,424,819)</u>	<u>(2,051,153)</u>	<u>(1,939,190)</u>	<u>(3,342,472)</u>	<u>(2,858,606)</u>
Total other financing sources and uses	<u>(261,000)</u>	<u>(412,770)</u>	<u>(2,798,476)</u>	<u>14,251,430</u>	<u>7,656,049</u>	<u>3,451,985</u>	<u>6,610,723</u>	<u>462,979</u>	<u>1,540,421</u>	<u>4,328,581</u>
Net change in fund balances	<u>\$ (6,945,033)</u>	<u>\$ 202,104</u>	<u>\$ (2,410,323)</u>	<u>\$ 4,030,639</u>	<u>\$ 1,516,791</u>	<u>\$ 3,179,554</u>	<u>\$ 5,766,309</u>	<u>\$ (923,580)</u>	<u>\$ (1,230,481)</u>	<u>\$ 2,383,174</u>
Debt service as a percentage of noncapital expenditures	5.2%	4.9%	4.6%	4.2%	5.1%	8.1%	8.6%	8.9%	8.8%	7.8%

Notes:

(1) Education expenditures include the City's contribution to the School Board Component Unit.

CITY OF WAYNESBORO, VIRGINIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 5

Fiscal Year	Real Property (1)(3)				Personal Property (2)								Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Rolling Stock	Tax Rate per \$100				
2003	\$ 616,984,593	\$ 212,318,269	\$ 74,455,856	\$ 0.97	\$ 73,648,050	\$ 5.00	\$ 534,782	\$ 5.00	\$ 112,789,648	\$ 3.00	\$ 778,814	\$ 3.00	\$ 1,091,510,012	\$ 1.45	\$ 1,146,734,678	95.18%
2004	755,845,188	231,926,100	81,435,362	0.85	76,650,924	5.00	471,478	5.00	107,480,397	3.00	580,864	3.00	1,254,390,313	1.29	1,311,311,803	95.66%
2005	765,823,788	243,661,300	73,618,121	0.85	74,442,103	5.00	199,002	5.00	91,713,850	3.00	576,839	3.00	1,250,035,003	1.26	1,309,021,626	95.49%
2006	865,243,540	311,169,600	77,377,240	0.78	81,649,868	5.00	229,034	5.00	74,919,153	3.00	549,780	3.00	1,411,138,215	1.14	1,471,975,115	95.87%
2007	889,455,133	330,119,700	67,274,407	0.78	87,681,456	5.00	165,439	5.00	63,630,108	3.00	630,281	3.00	1,438,956,524	1.13	1,503,183,298	95.73%
2008	1,345,440,737	328,682,000	77,021,271	0.70	89,306,919	5.00	180,604	5.00	55,169,022	3.00	697,368	3.00	1,896,497,921	0.98	1,962,012,744	96.66%
2009	1,373,023,934	374,581,700	75,009,122	0.70	94,533,504	5.00	205,781	5.00	40,263,315	3.00	904,972	3.00	1,958,522,328	0.95	2,027,197,586	96.61%
2010	1,379,263,067	478,952,000	71,816,305	0.70	150,126,941	5.00	250,296	5.00	36,118,308	3.00	787,070	3.00	2,117,313,987	1.04	2,178,833,278	97.18%
2011	1,429,091,737	444,059,100	80,980,848	0.70	157,670,813	5.00	231,250	5.00	23,683,493	3.00	786,156	3.00	2,136,503,397	1.04	2,202,136,392	97.02%
2012	1,308,385,664	426,129,100	83,303,561	0.75	96,414,492	5.00	254,081	5.00	23,476,451	3.00	729,408	3.00	1,938,692,757	0.99	2,005,091,948	96.69%

Notes:

- (1) Property assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
(2) Motor vehicles assessed at 50% of actual value and all others assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
(3) Assessed values include properties eligible for tax relief for the elderly.

Source:

City of Waynesboro, Assessor's Office

CITY OF WAYNESBORO, VIRGINIA
DIRECT PROPERTY TAX RATES (1)
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Table 6

Fiscal Year	City Direct Rates (2)			Total Direct Rate
	Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	
2003	0.80	0.34	0.31	1.45
2004	0.72	0.31	0.26	1.29
2005	0.74	0.30	0.22	1.26
2006	0.69	0.29	0.16	1.14
2007	0.70	0.30	0.13	1.13
2008	0.65	0.24	0.09	0.98
2009	0.65	0.24	0.06	0.95
2010	0.64	0.35	0.05	1.04
2011	0.64	0.37	0.03	1.04
2012	0.70	0.25	0.04	0.99

Notes:

- (1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there are no overlapping taxing powers with other political subdivisions.
- (2) Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies.

Source:

City of Waynesboro, Assessor's Office

**CITY OF WAYNESBORO, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Table 7

Taxpayer	December 31, 2011			December 31, 2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ntelos Communications	\$ 19,505,649	1	1.05%	\$ -	-	-
Poly-Bond, Inc.	11,666,575	2	0.63%	23,004,992	2	2.26%
Invista/DuPont	26,156,866	3	1.41%	116,180,616	1	11.43%
Waynesboro Town Center LLC	32,140,353	4	1.73%	-	-	-
Wal-Mart	18,916,942	5	1.02%	-	-	-
Lowe's Home Center	14,597,027	6	0.79%	-	-	-
DuPont Community Credit Union	11,240,647	7	0.61%	4,930,641	7	0.49%
Target Corporation	12,365,415	8	0.67%	-	-	-
Waynesboro Plaza LLC	12,466,400	9	0.67%	-	-	-
Chicopee, Inc.	10,447,900	10	0.56%	-	-	-
CFW Information Services, Inc.	-	-	-	12,427,262	3	1.22%
WT Acquisitionns	-	-	-	8,185,200	4	0.81%
Wayn-Tex, Inc.	-	-	-	8,148,201	5	0.80%
William J. Wade, Owner, Trustee	-	-	-	5,280,000	6	0.52%
Centre for Shopping	-	-	-	4,223,120	8	0.42%
Parkway Associates	-	-	-	3,112,900	9	0.31%
Allied Ready Mix Co.	-	-	-	1,643,672	10	0.16%
Total	<u>\$ 169,503,774</u>		<u>9.16%</u>	<u>\$ 187,136,604</u>		<u>18.41%</u>

Source:

City of Waynesboro, Commissioner of the Revenue

**CITY OF WAYNESBORO, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Table 8

Fiscal Year	Taxes Levied for the		Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year (Original Levy)	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2003	\$ 15,790,649	\$ 40,270	\$ 15,830,919	\$ 15,144,429	95.91%	\$ 508,125	\$ 15,652,554	98.87%
2004	16,094,061	122,099	16,216,160	15,605,566	96.96%	263,108	15,868,674	97.86%
2005	15,628,828	1,065,350	16,694,178	15,127,728	96.79%	672,167	15,799,895	94.64%
2006	16,055,110	(160,623)	15,894,487	15,569,109	96.97%	318,850	15,887,959	99.96%
2007	16,272,801	(106,320)	16,166,481	15,755,640	96.82%	400,425	16,156,065	99.94%
2008	18,270,937	(53,651)	18,217,286	17,685,561	96.80%	464,948	18,150,509	99.63%
2009	18,591,502	(23,844)	18,567,658	17,868,396	96.11%	592,039	18,460,435	99.42%
2010	18,947,394	(12,761)	18,934,633	18,344,884	96.82%	458,409	18,803,293	99.31%
2011	19,072,989	2,215	19,075,204	18,584,504	97.44%	267,334	18,851,838	98.83%
2012	19,079,144	-	19,079,144	18,708,395	98.06%	-	18,708,395	98.06%

Source:
City of Waynesboro, Treasurer

Notes:
(1) Includes the Commonwealth's personal property tax reimbursement.

**CITY OF WAYNESBORO, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**

Table 9

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Loans	Notes Payable	Capital Leases	General Obligation Bonds	Sewer Revenue Bonds	Virginia Revolving Loan			
2003	\$ 9,211,312	\$ 4,250,000	\$ 30,000	\$ -	\$ 2,490,000	\$ -	\$ -	\$ 15,981,312	3.20%	802
2004	8,468,136	4,000,000	-	-	2,017,688	-	-	14,485,824	2.77%	711
2005	7,704,433	3,750,000	-	-	1,477,252	-	-	12,931,685	2.41%	623
2006	21,294,662	3,500,000	-	25,665	963,726	-	1,596,431	27,380,484	4.65%	1,287
2007	27,904,481	3,250,000	-	20,244	2,872,733	-	5,890,174	39,937,632	6.46%	1,862
2008	29,101,121	3,000,000	-	14,461	13,740,000	2,972,122	6,126,042	54,953,746	8.62%	2,561
2009	33,229,771	2,750,000	-	8,292	13,515,000	19,233,595	5,882,666	74,619,324	10.91%	3,399
2010	31,262,509	2,500,000	-	1,711	13,280,000	26,900,278	5,631,935	79,576,433	10.79%	3,578
2011	30,191,923	2,250,000	-	32,718	15,345,000	30,091,497	5,373,625	83,284,763	11.97%	3,965
2012	32,182,639	2,000,000	-	16,240	15,015,000	28,555,509	5,107,508	82,876,896	11.61%	3,889

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:

- (1) See the Schedule of Demographic and Economic Statistics on page 98 for personal income and population data.

CITY OF WAYNESBORO, VIRGINIA
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Table 10

Fiscal Year	General Bonded Debt				Less: Amounts Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	State Literary Loans	Notes Payable	Total				
2003	\$ 9,211,312	\$ 4,250,000	\$ 30,000	\$ 13,491,312	\$ -	\$ 13,491,312	1.18%	677
2004	8,468,136	4,000,000	-	12,468,136	-	12,468,136	0.95%	612
2005	7,704,433	3,750,000	-	11,454,433	372,484	11,081,949	0.85%	534
2006	21,294,662	3,500,000	-	24,794,662	752,546	24,042,116	1.63%	1,130
2007	27,904,481	3,250,000	-	31,154,481	1,935,922	29,218,559	1.94%	1,362
2008	29,101,121	3,000,000	-	32,101,121	1,759,592	30,341,529	1.55%	1,414
2009	33,229,771	2,750,000	-	35,979,771	1,040,748	34,939,023	1.72%	1,592
2010	31,262,509	2,500,000	-	33,762,509	180,303	33,582,206	1.54%	1,510
2011	30,191,923	2,250,000	-	32,441,923	274,008	32,167,915	1.46%	1,531
2012	32,182,639	2,000,000	-	34,182,639	306,182	33,876,457	1.69%	1,590

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:

- (1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 91 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 100.

CITY OF WAYNESBORO, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
As of June 30, 2012

Table 11

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Waynesboro</u>	<u>Amount Applicable to City of Waynesboro</u>
City of Waynesboro	\$ 34,198,879	100%	\$ 34,198,879

Notes:

- (1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there is no overlapping debt or taxing powers.

**CITY OF WAYNESBORO, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

Table 12

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 36,150,349	\$ 42,768,266	\$ 43,324,128	\$ 125,379,038	\$ 128,684,924	\$ 175,114,401	\$ 182,261,476	\$ 193,003,137	\$ 195,413,169	\$ 181,781,833
Total net debt applicable to limit	<u>15,981,312</u>	<u>14,485,824</u>	<u>12,559,201</u>	<u>26,602,273</u>	<u>37,981,466</u>	<u>50,207,571</u>	<u>54,336,689</u>	<u>52,494,141</u>	<u>52,886,540</u>	<u>53,998,965</u>
Legal debt margin	<u>\$ 20,169,037</u>	<u>\$ 28,282,442</u>	<u>\$ 30,764,927</u>	<u>\$ 98,776,765</u>	<u>\$ 90,703,458</u>	<u>\$ 124,906,830</u>	<u>\$ 127,924,787</u>	<u>\$ 140,508,996</u>	<u>\$ 142,526,629</u>	<u>\$ 127,782,868</u>
Total net debt applicable to the limit as a percentage of debt limit	44.21%	33.87%	28.99%	21.22%	29.52%	28.67%	29.81%	27.20%	27.06%	29.71%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value of Real Property	\$ 1,817,818,325
Debt Limit - 10% (1)	181,781,833
Debt Applicable to Limit:	
General obligation debt	54,305,147
Less: Amount set aside for repayment of general obligation debt	<u>(306,182)</u>
Total net debt applicable to limit	<u>53,998,965</u>
Legal Debt Margin	<u>\$ 127,782,868</u>

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed real property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) The City's debt limit was 4% of total assessed real property value for years prior to fiscal year 2006.

**CITY OF WAYNESBORO, VIRGINIA
PLEDGED-REVENUE COVERAGE
Last Five Fiscal Years (4)**

Table 13

Fiscal Year	Sewer Revenue Bonds						
	Sewer Charges and Other (1)	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2008	\$ 3,681,685	\$ 1,784,424	\$ 1,897,261	\$ -	\$ -	(3)	N/A
2009	3,394,191	2,094,784	1,299,407	-	39,997		32.49
2010	3,755,032	2,178,984	1,576,048	60,000	101,181		9.78
2011	4,091,496	2,306,988	1,784,508	435,622	98,450		3.34
2012	5,203,047	2,167,385	3,035,662	1,535,988	93,789		1.86

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Notes:

- (1) Sewer charges and other includes investment earnings.
- (2) Operating expenses do not include interest or depreciation.
- (3) No debt service payments were scheduled in this period.
- (4) Sewer revenue bonds were issued in fiscal year 2008 and 2009. Data will be added until a 10 year comparison is achieved.

**CITY OF WAYNESBORO, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Table 14

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(1)	Educational attainment (4)		School enrollment(5)	Unemployment rate (3)
					High School Graduate or higher	Bachelor's Degree or higher		
2003	19,918	\$ 498,846	\$ 25,045	38.9	77.9%	20.6%	2,923	3.90%
2004	20,388	523,564	25,680	38.9	77.9%	20.6%	2,923	3.20%
2005	20,755	536,454	25,847	38.9	77.9%	20.6%	3,015	4.00%
2006	21,269	589,130	27,699	38.9	77.9%	20.6%	2,996	3.60%
2007	21,454	618,004	28,806	38.9	77.9%	20.6%	2,993	3.30%
2008	21,454	637,656	29,722	38.9	77.9%	20.6%	3,007	4.50%
2009	21,953	684,077	31,161	40.6	77.9%	20.6%	2,999	9.00%
2010	22,241	737,534	33,161	40.6	77.9%	20.6%	3,024	8.60%
2011	21,006	695,593	33,114	38.8	78.9%	21.7%	3,102	7.10%
2012	21,311	713,961	33,502	38.8	81.2%	21.8%	3,079	7.10%

Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Economic Analysis
- (3) Virginia Employment Commission
- (4) U.S. Census Bureau - Data presented is percentage of persons 25 years or older attaining the described educational status; 2011 census is latest available data.
- (5) City of Waynesboro School Board.

CITY OF WAYNESBORO, VIRGINIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 15

<u>Employer</u>	<u>2012 (1)</u>			<u>2003 (1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Waynesboro School Board	500 - 999	1	5.36%	500 - 999	3	5.31%
Invista/DuPont	250 - 499	2	2.68%	-	-	-
City of Waynesboro	250 - 499	3	2.68%	250 - 499	5	2.65%
Walmart	250 - 499	4	2.68%	-	-	-
Ntelos/CFW Communications	250 - 499	5	2.68%	100 - 249	6	1.06%
Adecco	100 - 249	6	1.07%	100 - 249	9	1.06%
Chicopee Incorporated	100 - 249	7	1.07%	-	-	-
Augusta Lumber LLC	100 - 249	8	1.07%	100 - 249	7	1.06%
Lumos Networks Operating Company, Inc.	100 - 249	9	1.07%	-	-	-
Virginia Panel Corporation	100 - 249	10	1.07%	-	-	-
Dupont Textiles & Interiors	-	-	-	500 - 999	1	5.31%
Wayn Tex	-	-	-	500 - 999	2	5.31%
E.I. DuPont De Nemours Company	-	-	-	250 - 499	4	2.65%
Kroger	-	-	-	100 - 249	8	1.06%
Poly Mer Group Inc.	-	-	-	100 - 249	10	1.06%
Total	<u>2,000</u>		<u>21.45%</u>	<u>3,150</u>		<u>26.53%</u>

Source: Virginia Employment Commission

Percentage calculations and totals are based on the minimum number of employees in the respective range.

Notes:

(1) Data is for January, February, and March of 2012 and 2003, respectively.

CITY OF WAYNESBORO, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Seven Fiscal Years (1)

Table 16

	Full-Time Equivalent Employees as of June 30						
	2006	2007	2008	2009	2010	2011	2012
<u>Function/Program</u>							
General government administration	32.9	37.5	48.5	39.8	41.5	31.2	33.5
Judicial administration	5.8	6.4	5.2	9.4	9.3	8.4	8.9
Public safety:							
Police	69.4	69.7	70.1	73.3	67.7	65.4	68.1
Fire	33.8	33.5	36.7	37.1	37.4	37	38.5
Correction and detention	22.3	21.7	20.9	18.5	14.7	15.3	16.6
Building inspections	5.9	6.8	6.6	6.4	5.6	5.8	5.4
Emergency management	17.5	18.1	18.7	17.4	16.8	17.3	22.7
Animal control	1.0	1.0	1.1	1.1	1.1	1	5.4
Public works:							
General engineering/administrative	29.9	31.6	31.3	49.9	44.3	44.4	45.4
Building and grounds	9.0	10.8	10.5	11.1	12.6	31.3	6.4
Equipment rental	7.6	-	9.3	9.1	8.4	0	6.8
Waterworks	19.7	22.6	17.7	24.3	24.3	21.9	24.2
Sewage/collection	20.5	17.1	41.4	41.5	41.5	43.1	46.4
Sanitation	34.1	30.4	36.7	60	33.4	32.2	31.4
Parks, recreation and cultural:							
Parks	33.9	32.5	32.1	1.1	1.1	1.1	8.4
Library	3.0	17.0	17.1	16.4	15.7	15.6	15.5
Community development	4.6	2.8	5.7	6.1	5.6	5.2	6.1
Schools	531.3	529.0	539.3	486	488	485	484
Total	882.2	888.5	948.9	908.5	869.0	861.2	873.7

Source: City and School Finance Departments

Notes:

(1) Information is only available for the last seven fiscal years. Data will be added until a 10 year comparison is achieved.

CITY OF WAYNESBORO, VIRGINIA
OPERATING INDICATORS BY FUNCTION
Last Seven Fiscal Years (1)

Table 17

Function	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
Building & Zoning							
Building permits issued	1,468	1,494	1,185	714	772	730	946
Building inspections conducted (commercial and residential)	4,193	3,995	3,339	1,757	1,716	1,593	1,587
New residential construction	142	92	71	51	42	28	29
New commercial construction	8	20	22	7	7	2	4
Zoning permits issued	157	167	165	97	114	112	146
Property maintenance cases	88	107	128	135	160	340	307
Property maintenance inspections	230	202	240	272	248	667	661
Economic Development (2)							
Business prospects	26	33	35	17	N/A	N/A	N/A
Development inquiries	35	52	54	25	N/A	N/A	N/A
Planning							
Conditional use permits	15	8	9	5	3	5	4
Rezoning requests	6	2	5	3	0	0	0
Major subdivision reviews	13	8	11	5	1	1	1
Minor subdivision reviews	23	14	13	10	12	12	9
Vacate streets/alleys	5	3	2	2	2	3	2
Public Safety							
Arrests	3,547	3,438	2,575	2,602	2,390	2,099	2,414
Parking violations	706	876	848	631	702	696	592
Traffic citations	4,118	3,567	2,942	3,319	1,707	1,700	2,131
Judicial - Circuit Court							
Civil and criminal cases	828	779	843	844	1,137	890	958
Deeds recorded	4,535	4,514	4,096	3,426	3,268	2,764	2,381
Judgments	866	1,082	958	1,129	1,023	958	1,019
Passports issued	543	673	881	672	616	631	628
Library							
Total collection	192,503	178,160	177,135	169,977	155,212	151,038	148,050
Total circulation	305,268	309,057	306,339	320,129	318,703	294,945	267,440
Visitors/patrons	215,719	219,430	217,607	227,291	224,540	215,458	166,207
Public Works							
Meters placed for new construction	87	154	134	68	56	48	35
Meters replaced	154	631	1,196	1,084	173	155	179
Education							
Number of teachers, Elementary (K-5)	157	160	172	173	175	179	172
Number of teachers, Secondary (6-12)	83	83	90	87	82	85	80
Number of teachers, District-Wide (K-12)	9	10	9	9	14	11	12
Number of students, District-Wide (K-12)	2,942	2,993	3,007	2,999	3,024	3,102	3,079

Source: Various Departments in the City

Notes:

- (1) Information is only available for last seven fiscal years. Data will be added until a 10 year comparison is achieved.
(2) Beginning in 2010, the Director of the EDA no longer tracks this information.

**CITY OF WAYNESBORO, VIRGINIA
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years**

Table 18

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol units (1)	25	8	10	14	12	12	12	12	12	10
Fire Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	107.02	107.58	110.50	113.80	116.18	116.18	116.96	117.1	117.24	117.24
Water lines (miles)	107.02	107.58	107.58	107.58	115.34	115.69	116.92	116.92	117.4	117.4
Fire hydrants	488	680	680	680	767	778	800	804	808	808
Waste water treatment plants	1	1	1	1	1	1	1	1	1	1
Sanitary sewers (miles)	96.93	97.22	97.22	97.22	105.36	105.36	107	108.02	108.04	108.04
Parks, Recreation & Cultural										
Parks	5	5	5	5	5	5	5	5	5	5
Acreage	365	365	365	365	365	365	365	365	365	365

Source: Various Departments in the City

Notes:

(1) Beginning in fiscal year 2004, only vehicles actually classified as patrol units are included in this figure. Prior to 2004, this figure included the entire police department vehicle fleet.

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COMPLIANCE SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the City Council
City of Waynesboro, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Virginia (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial planning as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 08-1 through 08-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 11-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to the City's management in a separate letter dated November 26, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 26, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Members of the City Council
City of Waynesboro, Virginia

Compliance

We have audited the City of Waynesboro, Virginia's (the "City") compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Waynesboro, Virginia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.



A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 12-1 to be a significant deficiency.

The City of Waynesboro's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 26, 2012

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

I. SUMMARY OF THE AUDITORS' RESULTS

- a. The auditors' report expresses an unqualified opinion on the financial statements of the City of Waynesboro.
- b. Three significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Items 08-1 through 08-2 are reported as material weaknesses. Item 11-1 is reported as a significant deficiency.
- c. No instances of noncompliance material to the financial statements of the City of Waynesboro were disclosed during the audit.
- d. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. Item 12-1 is not reported as a material weakness.
- e. The auditors' report on compliance for the major federal award programs for the City of Waynesboro expresses an unqualified opinion on all major federal programs.
- f. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- g. The programs tested as major programs included:

	<u>CFDA No.</u>
i. <u>Nutrition Cluster:</u>	
School Breakfast Program	10.553
National School Lunch Program	10.555
ii. Rural Business Enterprise Grants	10.769
iii. Community Development Block Grants - State's Program	14.228
iv. Highway Planning and Construction	20.205
v. Adult Literacy Grants	84.002
vi. Rural Education	84.358
vii. Improving Teacher Quality State Grants	84.367
viii. ARRA - State Fiscal Stabilization Funds - Education	84.394
ix. Adoption Assistance	93.659
- h. The threshold for distinguishing Type A and B programs was \$300,000.
- i. The City of Waynesboro was not determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENTS AUDIT

08-1 Financial Statements – City and School Board (Material Weakness)

Condition:

Material audit adjustments were required in order for the City's financial statements to be fairly stated in accordance with generally accepted accounting principles (GAAP) for governments.

**CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

II. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

08-1 Financial Statements – City and School Board (Material Weakness) (cont'd)

Criteria:

A system of internal controls over financial reporting includes controls over the general ledger and the preparation of the financial statements. The auditor cannot be a compensating control for the client.

Cause:

Internal controls over financial reporting under GAAP were inadequately designed.

Effect:

Because of the failure to adjust financial accounts, such as capital asset-related accounts, accrued revenues and expenditures, and misclassifications of transactions between funds, the financial statements, prior to the posting of audit adjustments, were not fairly stated.

Recommendation:

The City and School Board should implement procedures to ensure that all adjustments for GAAP financial reporting have been made at the close of the City's fiscal year.

City Response:

The City's Finance Department is aware of this weakness and continues to review and modify the City's financial reporting process, with the goal to have all data completely and accurately posted prior to the year-end audit.

School Board Response:

The School Board's Finance Office is aware that not all adjustments have been finalized prior to the audit, but will continue to strive to execute as many adjustments as possible before the audit begins.

08-2 Capital Asset Reconciliation – School Board (Material Weakness)

Condition:

Capital asset inventory changes were not reconciled to capital purchases and project activity reports on a timely basis.

Criteria:

Internal controls over capital assets should provide reasonable assurance that all capital asset activity is properly recorded.

Cause:

Internal controls over capital asset reporting were inadequately designed.

Effect:

Because of the lack of proper internal controls over capital asset reporting, including projects still in progress, the School Board's capital asset balances, prior to the posting of audit adjustments, were not fairly stated.

**CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

II. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

08-2 Capital Asset Reconciliation – School Board (Material Weakness) (cont'd)

Recommendation:

A quarterly reconciliation should be performed by the School Finance Departments to ensure that all capital projects and capital asset purchases are included in capital asset inventory with the proper cost, asset classification, and useful life.

School Board Response:

There was only one purchase of an item that was incorrectly coded as a purchased service upon payment and this item should have been coded as a capital outlay item and posted in the fixed asset system. We will attempt in the future that all capital asset purchases are classified correctly and posted to the fixed asset inventory system.

11-1 Direct Pay Forms – City and School Board (Significant Deficiency)

Condition:

Controls over the use of direct pay forms by both the City and the School Board were not properly followed. We noted during our testing that this issue was addressed by the City and School Board after the finding was reported in the prior fiscal year.

Criteria:

Controls and procedures over cash disbursements should be properly followed so that assurance can be provided to Management that expenditures are appropriate.

Cause:

Internal controls over the disbursement of funds using the direct pay forms were inadequately designed until the finding was reported to the City and School Board.

Effect:

Because of the lack of proper internal controls over cash disbursements, related to the use of direct pay forms, unauthorized payments could be made and financial statements could be misstated.

Recommendation:

The City and School Board should continue to adhere to the policies adopted in fiscal year 2012 related to the use of direct pay forms.

City Response:

The City instituted additional internal control procedures during fiscal year 2012 to address the deficiency detailed in this finding.

School Board Response:

The School Board Finance Office has implemented new Direct Pay procedures within the Waynesboro Public Schools Finance Policies Manual, unfortunately they were not implemented until second quarter of fiscal year 2012. These procedures have now been completely implemented.

**CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

12-1 Highway Planning and Construction – City – CFDA No. 20.205; City (Significant Deficiency)

Condition:

The City did not monitor whether vendors and subcontractors were in compliance with the Davis-Bacon Act for projects that were funded by Virginia Department of Transportation federal grants.

Criteria:

Internal controls over compliance requirements should include monitoring procedures to provide reasonable assurance that the City is in compliance with the Davis-Bacon Act.

Cause:

Internal controls over compliance with the Davis-Bacon Act were inadequately designed.

Effect:

Because of the lack of proper monitoring of internal controls over Davis-Bacon Act compliance, the City could be in noncompliance and not be aware of it. Noncompliance could result in the City being required to return grant awards to the federal government.

Recommendation:

Internal controls over compliance with the Davis-Bacon Act should include the monitoring of vendor and subcontractor payroll records to provide assurance that compliance requirements are appropriately being followed per grant specifications.

City Response:

The City has experienced an increase in the number of grant awards and the sources from which they are derived. Further, the compliance requirements for funding sources that have been in place for a number of years have become more complex and there exists some ambiguity regarding which agency has the responsibility for monitoring matters of compliance. Going forward, the City will work with its funding partners to more clearly ascertain monitoring requirements and how best to report these activities.

IV. SUMMARY OF PRIOR YEAR FINDINGS RELATIVE TO FEDERAL AWARD PROGRAMS

None.

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture and Consumer Services:</u>			
Nutrition Cluster:			
National School Lunch Program	10.555	N/A	\$ 75,925
Rural Business Enterprise Grants	10.769	N/A	23,400
<u>Department of Education:</u>			
Nutrition Cluster:			
School Breakfast Program	10.553	40591	223,701
National School Lunch Program	10.555	40623	719,457
Fresh Fruit and Vegetable Program	10.582	N/A	51,149
<u>Department of Forestry:</u>			
Cooperative Forestry Assistance	10.664	50105	4,365
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Title I Grants to Local Educational Agencies	84.010	42901	1,017,327
Special Education - Grants to States	84.027	43071	636,935
Vocational Education - Basic Grants to States	84.048	61095	71,171
Special Education - Preschool Grants	84.173	62521	15,823
Rural Education	84.358	43481	96,494
English Language Acquisition Grants	84.365	60512	13,503
Improving Teacher Quality State Grants	84.367	61480	155,956
Adult Literacy Grants	84.002	42801	32,674
ARRA - Title I Grants to Local Educational Agencies	84.389	42913	23,934
ARRA - State Fiscal Stabilization Funds - Education	84.394	62532	608,729
<u>Direct Program</u>			
<u>Department of Education:</u>			
Teaching American History Grants	84.215	U215X080204-08	79,992
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Direct Program</u>			
Drug-Free Communities Support Program Grants	93.276	5H79SP014763-02	128,846
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Community Services Block Grant	93.569	N/A	162,085
Temporary Assistance for Needy Families:	93.558		
Commonwealth TANF		N/A	8,603
Aid to Dependent Children		80801	(301)
VIEW-Component & Supportive Services		87201 & 87202	13,528
VIEW-Transitional		87204 & 87211	1,428
VIEW-Transporation		87207	28,758

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</u>			
<u>Pass-Through Programs: (cont'd)</u>			
<u>Department of Social Services: (cont'd)</u>			
Refugee and Entrant Assistance - State Administered Programs:	93.566		
Refugee Cash Assistance		81901	\$ 968
Child Care and Development Block Grant:	93.575		
Headstart Wrap-around		87801	812
CDC Fee At Risk		88302	55,663
Fee Child Care - 100		88302	(12)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund:	93.596		
VIEW-AFDC Working Day Care		87101	14,648
VIEW Transition		87102	6,314
Transitional Day Care		87103	762
AFDC Working Day Care		87104	6,701
Foster Care - Title IV-E:	93.658		
Child Placing Agencies		81108	20,891
Agency Foster Homes		81110	57,748
Licensed Child		81112	60,179
Adoption Assistance:	93.659		
Subsidized Adoption		81201	150,658
Nonrecurring IV-E Adoption		81202	1,950
Federal Adoption		81203	40,800
Social Services Block Grant:	93.667		
State Adoption		81701	15,418
Family Preservation Purchased Services		82905	3,346
Adult Services - Homebound Companion		83304	26,263
Adult Protective Services		89501	538
Substance Abuse Services		82407	
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Housing and Community Development:</u>			
Community Development Block Grants - State's Program	14.228	53305	368,431
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice Services:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	49,865
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass-Through Programs:</u>			
<u>Virginia Employment Commission:</u>			
Workforce Investment Act (WIA) - Youth Activities	17.259	N/A	156,747

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Motor Vehicles:</u>			
Highway Planning and Construction	20.205	N/A	\$ 287,438
Alcohol Traffic Safety & Drunk Driving Protection	20.601	51398 & 52109	<u>15,994</u>
Total Expenditures of Federal Awards			<u>\$ 5,535,604</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
LOANS OUTSTANDING: (Note 2)			
<u>Pass-Through Programs:</u>			
<u>Virginia Resources Authority:</u>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	<u>\$ 4,256,256</u>

CITY OF WAYNESBORO, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Waynesboro, Virginia and is presented on the modified accrual basis of accounting.

2. LOANS OUTSTANDING

During prior years, the City received federal funding from the Virginia Water Facilities Revolving Fund, authorized under the Capitalization Grants for Clean Water State Revolving Funds program. The outstanding loan balance under this program of \$4,256,256 is included in the Schedule of Expenditures of Federal Awards as of June 30, 2012.

SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS

The Honorable Members of the City Council
City of Waynesboro, Virginia

As more fully described in the Independent Auditors' Report on Compliance for the year ended June 30, 2012, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

- Budget and Appropriation Laws
- Cash and Investments Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act
- Economic Development Opportunity Funds
- Sheriff Internal Controls

State Agency Requirements:

- Education
- Comprehensive Service Act Funds
- Social Services
- Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

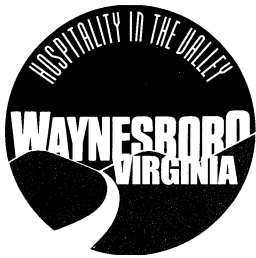
Budget and Appropriation Ordinances

Didawick & Company, P.C.

November 26, 2012



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CITY OF WAYNESBORO

WWW.WAYNESBORO.VA.US

CORRECTIVE ACTION PLAN

November 29, 2012

U.S. Department of Transportation
Federal Highway Administration
1200 New Jersey Ave, SE
Washington, DC 20590

To Whom It May Concern:

The City of Waynesboro, Virginia respectfully submits the following corrective action plan for the year ended June 30, 2012.

Independent Public Accounting Firm: Didawick & Company, P.C.
P.O. Box 2976
Staunton, VA 24402
(540) 885-0855

Audit period: July 1, 2011 through June 30, 2012

The findings from the June 30, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENTS AUDIT

08-1 Financial Statements – City (Material Weakness)

Recommendation:

The City should implement procedures to ensure that all adjustments for GAAP financial reporting have been made at the close of the City's fiscal year.

Action Taken:

The City's Finance Department is aware of this weakness and continues to review and modify the City's financial reporting process, with the goal to have all data completely and accurately posted prior to the year-end audit.

11-1 Direct Pay Forms - City (Significant Deficiency)

Recommendation:

The City should continue to adhere to the policies adopted in fiscal year 2012 related to the use of direct pay forms.

Action Taken:

The City instituted additional internal control procedures during fiscal year 2012 to address the deficiency detailed in this finding.

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

DEPARTMENT OF TRANSPORTATION

12-1 Highway Planning and Construction – CFDA No. 20.205; City (Significant Deficiency)

Recommendation:

Internal controls over compliance with the Davis-Bacon Act should include the monitoring of vendor and subcontractor payroll records to provide assurance that compliance requirements are appropriately being followed per grant specifications.

Action Taken:

The City has experienced an increase in the number of grant awards and the sources from which they are derived. Further, the compliance requirements for funding sources that have been in place for a number of years have become more complex and there exists some ambiguity regarding which agency has the responsibility for monitoring matters of compliance. Going forward, the City will work with its funding partners to more clearly ascertain monitoring requirements and how best to report these activities.

If the U.S. Department of Transportation has questions regarding this plan, please call Patricia A. Nicosia at 540-942-6750.

Sincerely yours,

A handwritten signature in black ink, reading "Patricia A. Nicosia". The signature is written in a cursive, flowing style.

Patricia A. Nicosia
Finance Director